



1495
UNIVERSITY OF
ABERDEEN

CELEBRATING
525 YEARS
1495 – 2020

ANNUAL REPORT
& ACCOUNTS 2020

“Open to all and dedicated to the pursuit of truth in the service of others”



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Welcome

On behalf of the University Court, I am delighted to welcome you to our Annual Report and Accounts 2020.

The world has seen enormous change during 2020 and it has been inspiring to see how our University community has come together to adapt to the changes brought by the Covid-19 pandemic. I have been struck by the innovation and resilience of our staff and students in developing and adapting to new ways of conducting our education and research activities. I am delighted that such a strong sense of the university family has shone through, with a high priority on caring for each other and ensuring that individuals are not isolated, even as necessary physical separation is maintained. This sense of community gives hope that we can continue and improve our working together as the University overcomes the significant challenge that the pandemic brings to us as an institution and to wider society.

That response is also a credit to the leadership and actions taken by our Senior Management Team to support our staff, students and the University during the most difficult of circumstances. On behalf of the Court, I thank the University Leadership for their commitment and resolve to navigate this crisis.

I also take this opportunity to recognise the contribution made by valued members of Court during these unprecedented times, including those who have completed their terms of office during the course of this year. Particular thanks are due to Esther Robertson, our outgoing Senior Governor, for her leadership over a hugely challenging time. Similarly, I would like to acknowledge the contribution of Caroline Inglis to the life and work of the University over many years, most recently as University Secretary & Director of Operations. I also thank Steve Cannon, who has undertaken the role of Interim University Secretary since late 2019 and has co-ordinated internal and external reviews of governance. It is a pleasure to welcome Tracey Slaven as our new University Secretary and Chief Operating Officer from January 2021 and the members of Court look forward to working with her in this key role.

The external environment within which we are operating remains hugely challenging in other ways, quite apart from the pandemic. The full impact of Brexit and the future of the USS pension scheme will require our best efforts in analysis and creative solutions. Furthermore, the Scottish Funding Council's review of tertiary education will influence the future of university and college sectors. It is more important than ever that we continue to engage with colleagues and the wider world, to ensure that our interests and reputation are recognised, and our achievements celebrated.

We began 2020 by launching Aberdeen 2040, our new statement of strategy for the next 20 years, and by celebrating our 525th anniversary as a seat of learning. At that time, we could not have foreseen that a global pandemic would affect all corners of the world and we do not yet know how it will affect our lives and society in the years ahead. Nevertheless, the strategy highlights aspirations and challenges that are absolutely relevant to the demands of this changing world. The University of Aberdeen has faced and withstood many challenges throughout our 525 years of history. I believe we are well placed to respond to our current problems and to make a valuable contribution to supporting society to rebuild and regenerate in the period ahead.

I encourage you to read this Annual Report and to learn more about the inspiring work of the University. I, together with all the members of Court, look forward to enriching and highlighting the contribution of the University of Aberdeen to the economic, scientific and social dynamism of the local community, across Scotland and internationally.



Professor Nuala Booth PhD FRSE
Interim Senior Governor

There is no doubt that 2020 has been an unexpectedly tumultuous year. The global pandemic has touched everyone's lives – and we are no different in the north-east of Scotland.

Like every other organisation around the world, the University of Aberdeen has had to make major adjustments to continue to operate and to keep its staff and students safe. The University's response to the pandemic is outlined in this report; the top priorities of the Senior Management Team have been to protect the University's academic achievements and financial sustainability, protect jobs and create a safe environment for staff and students.

A tremendous amount of work has been done to keep the University on a steady financial footing so that we are in a good position to recover when the crisis eventually subsides. Everyone in the University community has played their part and for that I am very grateful. The coming year will also be a challenge as our response to the pandemic evolves, but we are doing everything we can to protect the institution as well as its staff and students.

The University has also been engaged in partnership working with local authorities and local communities to support economic recovery in north-east of Scotland and beyond. Many online courses have been made available to help people gain new skills that contribute to our region. Work will also begin this year on our Civic University Agreement which is a commitment to make a significant impact on the success of the areas in which we are located and bring real benefits to the local community.

Before the pandemic, the University had made significant steps towards revenue growth and reported a surplus at the end of the latest financial year. The institution now has an average rank of 25th in the five major UK University league tables, up from 31st in 2018, and in the Guardian league table is ranked 20th. We are especially proud to be ranked by the Times Higher as 85th in the world for research influence (as measured by citations) and 32nd in the world for international outlook.

2020 is also the University's 525th anniversary year which we marked in February by launching Aberdeen 2040, our new 20-year statement of strategic purpose. This was a significant moment for the University as the strategy outlines what we want the institution to look like in 20 years' time, and how we're going to continue to fulfil our foundational purpose of being open to all and dedicated to the pursuit of truth in the service of others. Over the next 20 years, we will meet our 20 commitments in Aberdeen 2040 to be a more inclusive, interdisciplinary, international and sustainable university.

As part of the strategy, we will also address five key interdisciplinary challenges of our time where we can make an impact. These are: Energy Transition; Social Inclusion and Cultural Diversity; Environment and Biodiversity; Data and Artificial Intelligence; Health, Nutrition and Wellbeing. Energy Transition was the first theme to be launched and ties in with our sustainability agenda and our commitment to achieve net zero carbon emissions before 2040.

At the time of writing it seems there may be some way to go until the global pandemic subsides and life can return to normal. It is testament to the professionalism and determination of everyone at the University that we are adapting quickly to a turbulent and dynamic set of external circumstances, and continuing to provide outstanding teaching and research.



Professor George Boyne
Principal and Vice-Chancellor

ABERDEEN 2040

The University's new institutional strategy for the next twenty years, Aberdeen 2040, was launched in February 2020. It is based on the University's 1495 foundational purpose which bears ongoing relevance today:

Open to all and dedicated to the pursuit of truth in the service of others
Bishop Elphinstone, 1495

THE STRATEGIC AMBITIONS SET OUT IN OUR NEW STRATEGY REFLECT OUR PURPOSE ON FOUNDATION, 525 YEARS AGO.

KEY THEMES

We achieve our purpose through excellence in our core activities of education and research, which transforms the world around us. The Aberdeen 2040 strategy is built around four key themes which transcend all our activities:

Inclusive

We welcome and support students, staff and partners from all backgrounds, organisations and communities

Interdisciplinary

We innovate in education and research by generating, sharing and applying new kinds of knowledge

International

We connect with others, and extend our networks and partnerships around the world

Sustainable

We understand and nurture our environment, take care of our people and look after our resources

COMMITMENTS

Over the next 20 years we have set out to fulfil 20 commitments to be a more inclusive, interdisciplinary, international and sustainable university:

Inclusive:

1. Care for the wellbeing, health and safety of our diverse community, supporting and developing our people to achieve their full potential
2. Encourage widening access to study, by having fair and flexible entry routes, offering diverse qualifications, and providing a range of modes of delivery; our students will be able to succeed whatever their personal and social background

3. Develop a research portfolio that promotes national and international collaboration with stakeholders, including companies, organisations and governments
4. Secure the highest standards of equality, diversity and inclusion, achieving accreditation across multiple strands and characteristics
5. Eliminate pay gaps across all protected characteristics

Interdisciplinary:

6. Support a learning culture in which all our staff and students can exchange ideas and expertise across intellectual areas and organisational structures
7. Design new courses and programmes which encourage interdisciplinary learning, and ensure that all our students can experience innovative, challenge-led education involving external stakeholders
8. Build networks across our community to foster interdisciplinary interactions between our subject research strengths, using and sharing expertise to drive new understanding
9. Listen to and work with external stakeholders regionally and globally to build partnerships that deliver imaginative solutions to societal and industrial challenges
10. Develop our digital systems and enhance our buildings to create virtual and physical spaces that enable interdisciplinary exchange and innovation

International:

11. Provide an international education to learners from all around the world, becoming a more diverse and multicultural community
12. Equip our graduates for global employment through our curriculum and teaching methods
13. Harness our research expertise to form partnerships and networks around the world to meet the challenges of our age

- 14. Ensure all our students can have an international experience, by studying abroad or working collaboratively with international partners
- 15. Develop our campuses and processes to create a caring environment that is alert to cultural differences
- 19. Achieve net zero carbon emissions before 2040
- 20. Generate resources for investment in education and research year on year, so that we can continue to develop the people, ideas and actions that help us to fulfil our purpose

Sustainable:

- 16. Encourage everyone within our community to work and live sustainably, recognising the importance of our time, energy and resilience
- 17. Educate all our students and staff to be leaders in protecting the environment
- 18. Excel in research that addresses the climate emergency, enables energy transition and the preservation of biodiversity

INTERDISCIPLINARY CHALLENGES

Working together, we will address five interdisciplinary challenges of our time. Through our expertise we will address these challenges which speak directly to our region, our society and our century; problems which require complex solutions and draw on both theoretical and applied knowledge.

OUR INTERDISCIPLINARY CHALLENGES



Final report on our 2015-2020 Strategic Plan

Transitioning to a new and exciting strategy, Aberdeen 2040

2015-2020

2040

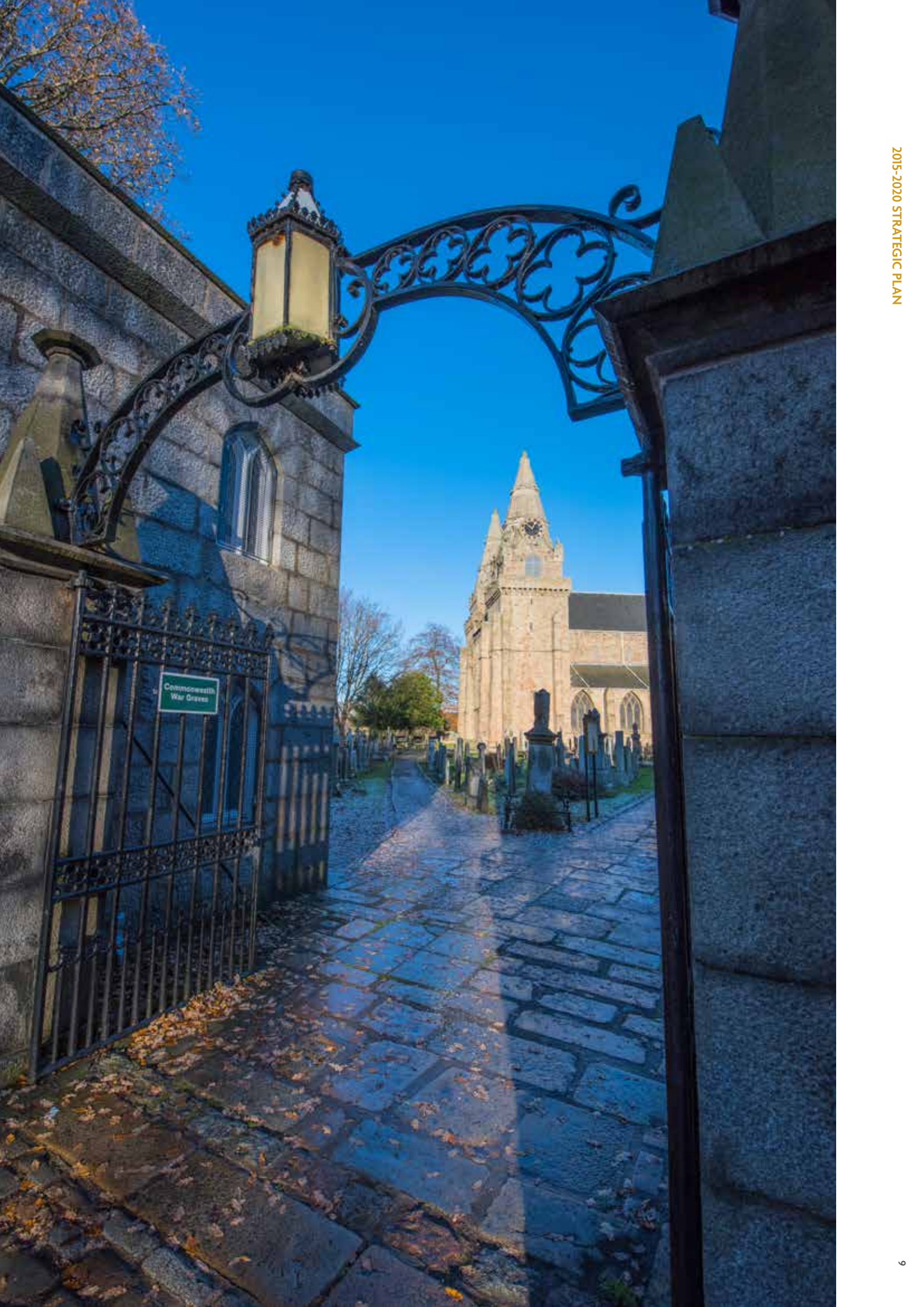
The University is currently transitioning to a new and exciting strategy, Aberdeen 2040, which was launched in February 2020 and sets out our ambitions for the next twenty years. The new strategy, which will take effect from academic year 2020/21, is grounded in the University's foundational purpose to be open to all and dedicated to the pursuit of truth in the service of others, and focuses on strengthening the University's reputation as an Inclusive, Interdisciplinary, International and Sustainable place of learning.

In this Annual Report for 2019/20, we will reflect on the 2015-2020 strategy and the University's performance in this five-year period.

A number of performance indicators were put in place as part of the 2015-2020 Strategic Plan under the key headings of People, Teaching and Learning, and Research, which have been monitored regularly throughout the planning period. As can be seen in the table below, the University has met the majority of targets set for the 2015-2020 strategy period. Very positive progress has been made in relation to equality and diversity with all our academic units being awarded an Athena SWAN Bronze Award and one School awarded a Silver. We have extended our international reach through the establishment of our first international campus in Doha, and increased the number of international students from around the world. We have strengthened our research as evidenced by the Queen's Anniversary Prize for Higher and Further Education in 2018. This is heartening given the challenging external environment for the University in this period: the ongoing decrease in public funding for universities in Scotland, the downturn in the oil and gas sector starting in 2015, the Brexit referendum in 2016 leading to Britain's exit from the European Union in 2020, and the Coronavirus pandemic in 2020. We will continue our efforts to strengthen and grow our University further as we move forward under the banner of our new Aberdeen 2040 Strategy. The following table shows performance against institutional targets from the start of the planning period in 2015 to the end of 2019/20. Delivery against the plan has been colour coded: Green: target was met for the strategic planning period (2015-20); Amber: significant progress was made but target was not met; Red: target was not achieved and was significantly off target.

Targets set for the 2015-2020 Strategic Plan and overall performance in the planning period

KPI	2020 Target	Performance in planning period
Athena SWAN	All Schools to achieve Bronze award and at least one School to achieve Silver by 2020 so that the University is eligible to apply for institutional Silver	●
International student recruitment	Increase the number of overseas students at UG and PG level	●
Student satisfaction	Increase student satisfaction in the NSS, particularly with teaching, and assessment and feedback	●
Non-continuation rates	Reduce non-continuation rates at UG level from Level 1 to Level 2	●
Employability	Increase the number of graduates who go into graduate employment or further study	No direct comparison available. See p.11
Grant income	Increase average grant income per academic member of staff (FTE)	●
REF Preparedness	Enhance the University's performance in REF 2021	Result awaited. See p.12
PGR student recruitment	Increase the average number of PhD students per academic member of staff (FTE)	●
Financial sustainability	Achieve a return to break-even budget position by 2020/21	●
League table ranking	Enhance the University's performance in the THE and QS rankings	●



PEOPLE

Gender equality:



By 2020, at least one School will have a Silver Athena SWAN award, enabling the University to apply for institutional Silver award.



Target met.

The 2015-2020 Strategic Plan put 'People' at the centre of the strategy, committing to fostering a caring culture that promotes and celebrates equality and diversity. Key initiatives implemented in the planning period in support of equality and diversity include: strong commitment to Athena SWAN, a British Sign Language Plan, a Gender Action Plan, which focuses on addressing gender imbalances in the student population at subject level, the establishment of a Women's Development Network, measures to increase gender balance at University Court, Unconscious Bias Training, and the Equally Safe Toolkit.

Throughout the planning period, University staff have engaged wholeheartedly with the Athena SWAN Charter, aimed at promoting gender equality and diversity. At the start of the planning period in 2015 the University had an institutional Athena SWAN Bronze award which was renewed in 2016 but no academic units held Athena SWAN awards. The University's ambition was to be eligible to apply for a Silver award by 2021 which required all academic units to hold a Bronze award and at least one department to hold a valid Silver Award. The latter requirement has recently been removed following a review of the Charter by their Independent Steering Group.

Much effort has been made across the University over the past five years to embed the values of gender equality and diversity. As a result, all Schools had achieved a Bronze Award by 2018 and one School was awarded a Silver in November 2020 with three other Schools aiming to apply for Silver in autumn 2021. The University will be applying to retain the institutional Bronze award in April 2021.

In our new Aberdeen 2040 Strategy, our efforts to increase gender equality and inclusion of all groups will continue, under the banner of 'Inclusive'.



TEACHING AND LEARNING

International student recruitment:



By 2020, our international student population will have grown to 2500 students.



Target met.

In the 2015-2020 planning period, the University has strengthened its international reach and at the end of 2019/20 had over 600 international staff and more than 2500 international students coming from over 130 countries. We opened our campus in Qatar in 2017 and our on-demand learning portfolio is growing fast, attracting UK and international students wanting to control the pace, place and method of studying by engaging with our many on-demand courses. In 2019 we launched an International Study Centre in collaboration with Study Group, which offers international students an academic bridge into our programmes through a foundation year study programme. Our engagement globally continues to expand with a number of articulation collaborations in China contributing to UG population growth.

The University had ambitions to strengthen further its international reach and grow the number of international students. Between 2015 and 2020 the international student population grew by over 1000 students with a particularly strong growth in China. Student recruitment has also increased in major markets of the Middle East and North America. We have therefore met the target set for the five-year planning period. South Asia, specifically India, provides extensive opportunity to achieve significant growth in the years ahead.

Britain's exit from the European Union and the global Coronavirus pandemic in 2020 present significant challenges to the University's future ambitions to grow and strengthen further international links and collaborations as set out in our new Aberdeen 2040 Strategy, but we will spare no effort to protect and grow our international partnerships to enrich the educational and research environment for our students and staff under the 'International' strand of our Aberdeen 2040 Strategy.

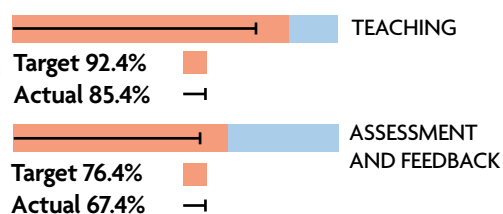
Student satisfaction:

Aim

By 2020, we will have achieved a student satisfaction score of 92.4% for teaching and 76.4% for assessment and feedback in the National Student Survey (NSS).

Result

Target not met.



The National Student Survey (NSS) is carried out annually across the UK and measures satisfaction amongst undergraduate students who are in their final year of study. Two metrics from the NSS have been monitored through the planning period: Satisfaction with Teaching, on one hand, and Assessment and Feedback, on the other. There were significant improvements during the planning period in both categories from the 2015 baselines of 87.3% and 66.4% respectively but targets were not met. Satisfaction with Teaching reached 88% in 2016 but has fluctuated since with a score of 85.4% at the end of the planning period in 2020. Satisfaction with Assessment and Feedback improved steadily between 2015 and 2019, reaching a peak of 71.4% in 2019, but disappointingly dropped to 67.4% in 2020. The University's overall performance in the NSS remains strong, with an Overall Satisfaction ranking of 11th in the UK, against a comparator group of 124 HEI's.



In our Aberdeen 2040 Strategy we continue to emphasise the importance of all our students receiving the best possible educational experience, knowing that they leave the University with the knowledge and qualifications required to help them succeed in life. Student satisfaction will therefore remain a key priority for the University as we move to implementation of Aberdeen 2040.

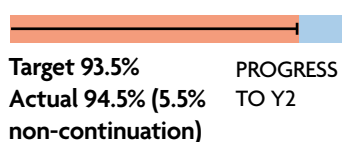
Non-continuation:

Aim

By 2020, at least 93.5% of our students will progress to year 2 of their studies (6.5% non-continuation).

Result

Target met



The University wants to ensure that appropriate support is in place for all our students to help them succeed in their studies. Student progression has been the focus of concerted efforts across Schools throughout the planning period with a particular emphasis on progression between level 1 and level 2 of undergraduate study, as data showed that this stage was of particular concern for many disciplines.

To support this, Schools have focused on understanding the reasons for lack of engagement by students in the early stages of their study and developed appropriate strategies to support students throughout their first year. The induction programme for new students has been enhanced, personal engagement with students in the first few months has been increased, and student support has increased greatly, including dedicated mental health and wellbeing support.

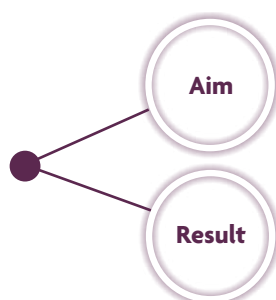
In 2015 non-continuation between level 1 and 2 of study was 10.4%. Excellent progress has been made over the past five years and we have exceeded target, with non-continuation in 2020 measuring at 5.5%. Non-continuation will continue to be monitored under the Aberdeen 2040 Strategy as part of our 'Inclusive' agenda.

Employability:

We want our graduates to leave the University with skills and knowledge that allow them to move directly into graduate employment or further study. For much of the strategic planning period, the Destination of Leavers in Higher Education (DLHE) survey was used as the sector-wide vehicle for measuring rates of graduate employment or further study. In the last DLHE run in 2016/17, 94.4% of UK-domiciled UG graduates were in employment or study but, as the survey was discontinued, it has not been possible to report on trends for the whole five-year period. The successor to DLHE, the Graduate Outcomes Survey, was published for the first time in June 2020 and, although these two surveys are not directly comparable, data indicates that our students continue to benefit from very positive employment prospects upon graduation with 94.2% of 2017/18 UK-domiciled UG graduates in some form of work or study and 74.6% in 'high skilled' positions.

However, the University has ambitions to strengthen employability further and, as part of the Aberdeen 2040 Strategy, a focused effort will be made to ensure that employability for our graduates increases further, in particular in relation to opportunities in graduate level (high skilled) employment.

RESEARCH



Aim

Grant income per staff FTE:

By 2020, grant income per academic staff FTE will have increased.

Result

Target met.

The University's research strengths span across the whole curriculum. We collaborate across disciplines and national boundaries and pride ourselves on close collaboration with industry, business and public sector bodies, in particular health services. As a result of our efforts in the area of research, the University was awarded the Queen's Anniversary Prize for Higher and Further Education in 2018, and we ranked 31st in the world in the inaugural Times Higher Education Impact Ranking in 2019. The breadth of our research strengths enabled us to make a strong contribution to research relating to the Covid-19 pandemic and its impact on health and wider society. We secured additional funding for Covid-related research to develop new diagnostic tools and technology for treatment. We created the first of our interdisciplinary research centres, the Centre for Energy Transition, demonstrating our commitment to working with industry and other stakeholders to deliver a just and sustainable energy transition agenda.

Underpinning our commitment to the highest standards of research integrity and governance, the University was one of ten UK universities to join forces to collaborate to improve the quality of UK academic research output. The University - alongside Bristol, Edinburgh, Keele, Newcastle, Oxford Brookes, the Royal Veterinary College, Sheffield, Surrey and UCL - joined the UK Reproducibility Network (UKRN) to work in partnership for enhanced research rigour, robustness and quality.

In the planning period 2015-2020, targets were set around research income generated through research and knowledge exchange relative to staffing levels. Research income remained static over the first four years of the planning period but saw a decline in 2019/20 owing to the pandemic and loss of research-active staff. However, over the five year period, grant income per academic FTE has increased, primarily due to a reduction in teaching and research staff and, as such, targets have been met.

As part of the Aberdeen 2040 Strategy, the University will be focusing efforts on strengthening our research capabilities further, under the banner

of 'interdisciplinary'. Following a recruitment campaign in the past year, 50 new academic staff have been appointed, aligned to our existing research strengths and enhancing our ability to respond to the societal and industrial challenges we face. As noted above, the new Centre of Energy Transition is the first of the interdisciplinary challenges to be launched, with work progressing rapidly in our other priority interdisciplinary areas.

Preparedness for REF 2021:

Aim

To enhance the University's performance in REF 2021.

Result

Result announced in 2021.

The submission deadline for REF 2021 was delayed from November 2020 to March 2021 in response to the Covid-19 pandemic. The results of REF 2021 will therefore not be published until after the end of the 2015-2020 strategic plan period and it is therefore not known whether the University's performance will exceed the results of REF 2014. However, preparation has progressed well over the planning period and the University is on track to make a strong submission in 2021.

Number of PhD students per staff FTE:

Aim

By 2020, we will have increased the number of research students per staff FTE.

Result

Target met.

The University is proud of its strong research culture, and maintaining a strong international research student community is a vital part of this strategy. We are pleased to report that we have grown the PhD student population per academic staff in the planning period across all Schools. We have continued to recruit in sector-leading Doctoral Training Partnerships in areas related to arts, humanities, social and biosciences. A cohort of students were recruited to the QUADRAT Doctoral Training Partnership with Queen's University Belfast, focused around environmental management and providing a unique doctoral training experience to empower

students to become future leaders in government, commerce, charities and universities nationally and internationally.

Going forward, the University has ambitions to grow both the size and the proportion of its postgraduate population, as laid out in our Aberdeen 2040 Strategy. Strategies are being explored for targeted PGR recruitment in line with Aberdeen 2040 aspirations.

Financial health:

Aim By 2020, the University will have achieved an underlying break-even position.

Result Target met.

Financial sustainability is paramount to the University's strategy and a key aim in the 2015-2020 strategy was therefore to achieve a break-even position by the end of the planning period. This target has been achieved in spite of a challenging external environment, including decreasing public funding, increasing pension contributions, increasing national and international competition, staff investment costs and, in the first half of 2020, the global pandemic.

Financial control was tightened in response to the Covid-19 crisis but the global pandemic will likely have a long-term impact on the financial sustainability of the higher education sector in the UK. As part of the Aberdeen 2040 Strategy we will continue efforts to strengthen the University's future financial health with detailed actions in place under the banner of 'Sustainable'.

Reputation:

Aim To be in the top 100 universities in major international league tables by 2020.

Result Target not met.

Publication Year:

	2015	2016	2017	2018	2019	2020
THE	172	188	185	158	168	178
QS	137	141	158	172	194	207

The University has monitored performance in key international rankings throughout the planning period. The University set a very ambitious target for global performance, to be achieved by the end of the planning period in 2020, aiming to reach the top 100 universities globally. Performance in a UK context has improved significantly since 2015 and the University was proud to be nominated Scottish University of the Year in 2019 (Times & Sunday Times). At the end of the planning period in 2020, the University had achieved a top 30 rank in the UK in all of the five best known rankings: the Complete University Guide, the Guardian University Guide, the Times & Sunday Times Good University Guide, and in both the QS and the Times Higher Education (THE) University Rankings. However, it has been more challenging to improve global rank and the ambitious target has therefore not been met. The University's rank in THE World University Ranking fell by six places between 2015 and 2020 to 178th place, and saw a drop from 137th place in the QS World University Ranking in 2015 to 207th place in 2020.

As part of the Aberdeen 2040 Strategy, the University aims to build on its success in a UK context, and enhance its national standing further in the next five years.



Our response to the *Covid-19* PANDEMIC

As we celebrated our Founders' Day in February – marking the beginning of the University's 525th birthday with the launch of our Aberdeen 2040 strategy – we had no inkling that we were on the cusp of a global health pandemic with profound implications for all of us.

As with the rest of the country, our University community entered a period of deep uncertainty and many new challenges continue to be presented to our students and staff.

Lockdown saw a move to home working for all but essential staff who remained on campus, while home schooling and caring responsibilities became a daily – and challenging – reality for many.

However, despite these difficult circumstances our response to the Covid-19 pandemic has been swift and meaningful, pulling together our community of students, academic and professional services staff, and alumni in an unprecedented collective effort, while underlining our research excellence and the exceptional skills of our community.

We secured the second biggest research grant in Scotland from an emergency fund issued by the Scottish Government to fast-track Covid-19 related research projects. Almost £1m was awarded across six initiatives that ranged from the development of new methods of testing for Covid-19, to creating new surveillance models to map the needs of the most vulnerable or 'shielded' individuals.

As well as securing national funding to fight the pandemic in the UK, scientists at the University have used their expertise in the development of life support systems for manned space missions to develop a ventilator for Covid-19 patients.

The Planetary Science Group, based at the School of Geosciences, used commercial components to build the ATMO-Vent ventilator - a low-cost device that is easy to build and ideally suited to rapid, mass deployment in healthcare settings.

The group, which normally specialises in Martian research and is renowned for its expertise in the development of instruments for Earth and planetary exploration, built the device in response to worldwide efforts to produce more ventilators to treat Covid-19 patients. The group is currently working on an agreement with a company in Rwanda to support the development of the ventilator in several African countries.

A further 15 research grants valued at over £1.2m have been awarded to the University for Covid-19 related work in the fields of medicine, medical sciences and nutrition. Grants have also been secured for Covid-19 research for projects across social sciences, artificial intelligence (AI), engineering, technology and wellbeing.

Our students have also played a major part in recent events, as the Class of 2020 medical cohort graduated early to respond to the needs of the NHS. Those of the cohort who were able to volunteer to join the NHS effort have been working in a supported and supervised environment across Scotland and the UK.



We would also like to thank the University of Aberdeen Development Trust for its remarkable support over the past few months. Recognising the financial challenges facing many of our students, a fundraising campaign was successfully launched in April, seeking to raise £150,000 for students facing severe financial hardship as a result of the ongoing global pandemic. Alumni located across the globe were quick to respond, donating to the Covid-19 525 Bursary Fund, which was set up to help care for and support students in greatest need. To date, more than £180,000 in donations has been received.

In addition, the trustees of the University of Aberdeen Development Trust approved up to £4m for the University's teaching and research purposes for 2020-21, including £1.04m to support 50 new strategic posts, £607K for Widening Access funds (including support for the Gateway to Medicine bursaries), and £1.7m to support studentships across the University (particularly in medicine, dentistry, education, business, divinity and law). In addition, £200K was approved for the purpose of purchasing library books and associated learning materials.

Staff and students from across the University have freely donated their time and skills to support our local communities. Staff members have made scrubs for NHS workers and face masks, and volunteered to deliver everything from prescriptions to poems.

As we continue to slowly emerge from the current crisis, academics across all our Schools have been working tirelessly to support students in their studies with a blended learning approach to teaching. This has been a truly incredible demonstration of partnership working between colleagues across the University from IT to Media Services, and involving technicians, academics and students.

Everyone has played a part in the University's response to the pandemic, and a special mention must go to our security, portering and buildings staff who have remained on site to carry out essential duties. Likewise, colleagues based at our Foresterhill health campus have volunteered their skills in order to assist the NHS.

We are extremely proud of how our University community has responded to the Covid-19 pandemic and further details of the financial impact are included within the Financial Review (page 34). We are reassured that as the recovery begins we know we have the people, skills and dedication to rebuild and continue to strengthen not only our University but our communities, our region and our country.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL





The University of Aberdeen is committed to the highest standards of corporate governance relevant to the higher education sector. This summary describes the manner in which the University has applied the principles set out in the 2017 Scottish Code of Good Higher Education Governance. In the opinion of Court, the University complied with the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance throughout through the year.

Constitution, Governance and Regulation

The University was established by Papal Bull on 10 February 1495 and is one of the four Scottish Ancients. The University Court of the University of Aberdeen is a body corporate with perpetual succession and a common seal. The University derives its status, powers and framework of governance from the Universities (Scotland) Acts 1858 - 1966 and by the Ordinances, made under these Acts, and Resolutions of Court. In addition, Court is subject to the requirements of the Higher Education Governance (Scotland) Act 2016. Court is the executive governing body of the University and is responsible for its mission and strategic direction, administrative arrangements, financial health, wellbeing of staff and students and, in association with the Senate, for establishing and maintaining high standards of academic conduct and probity.

The Universities (Scotland) Acts define the powers of the Court, the Senate and the General Council, each of which has clear functions and responsibilities within the governance and management of the University's business. Court is charged with the administration and management of the revenue and property of the University, and has the power to review any decision of the Senate on appeal. It is responsible for the University's system of internal control and for reviewing its effectiveness. The Senate, which consists of ex officio and elected academic staff and students, is responsible for the regulation and superintendence of teaching and student discipline and for promoting research. The General Council was established by the Universities (Scotland) Act 1858 with the right to take into consideration questions affecting the well-being and prosperity of the University. Graduates of the University and certain categories of University staff are automatically members of the General Council.

The University is an exempt charity by virtue of the Charities and Trustee Investment (Scotland) Act 2005, and is registered with the Office of the Scottish Charity Regulator under number SC013683.

The charitable aims of the University as registered with the regulator are: the advancement of higher education, of health, of citizenship or community development, and the advancement of the arts, heritage, culture or science.

The University is regulated principally by the Scottish Funding Council under a Financial Memorandum. The University complies with conditions of the grant set out in the funding arrangements. The Scottish Funding Council has developed Outcome Agreements with each university to ensure that institutions are working in support of the Scottish Government's priorities. The University is required to report regularly on its performance against agreed outcomes, to ensure that it continues to meet conditions of grant.

Governing Body

In accordance with the provisions of the Universities (Scotland) Acts and the Higher Education Governance (Scotland) Act, the composition of Court is set out by Ordinance.

Court consists of 25 members and has a majority of independent members as recommended by the Scottish Code of Good HE Governance. The membership of Court is listed on page 27.

Court has adopted a Statement of Primary Responsibilities and routinely undertakes a wide ranging review of its effectiveness against sector guidance. The Court undertook an externally facilitated review of its effectiveness in 2016/17 and implemented resulting revisions to procedures in 2017/18. As noted below, following the reviews conducted by the SFC and OSCR, a further externally facilitated review of governance and culture is currently being undertaken.

The Rector is elected by the student body and under statute is the ordinary president of Court. The current Rector has opted to exercise the right to preside. The Senior Governor is elected by staff and students (as required by the Higher Education Governance (Scotland) Act 2016) and is recognised as being responsible for the leadership and effectiveness of Court. As such, the Senior Governor performs the wider role of Chair in all respects bar those assigned by statute to the Rector. Accordingly, the Senior Governor represents the University at meetings of the Committee of Scottish Chairs and internally acts as the leading Governor in matters of governance. The role of the Senior Governor in this regard is recognised by the Scottish Funding Council, and Court has adopted a Rector's Protocol to define the respective roles of Rector and Senior Governor.

The University maintains a Register of Interests of members of Court and of members of senior management, which is available on the University's website. In addition, individuals are routinely asked to declare any interest in relation to a Court and committee agenda item and any significant change to the external commitments of the Senior Governor would be reported to the Governance and Nominations Committee.

Members of Court are invited and encouraged at regular intervals to participate in governor development events organised both internally and through organisations such as Advance HE.

Scottish Funding Council/OSCR Review

In July 2019, the Scottish Funding Council (SFC) and the Scottish Charity Regulator (OSCR) commenced a parallel review of the settlement terms of the previous Principal and Vice-Chancellor, Professor Sir Ian Diamond's retirement.

The focus of the SFC's review was to assess the University's compliance with the SFC's terms and conditions of grant (including those set out in the institution's outcome agreement and in the Financial Memorandum). In parallel, the Office of the Scottish Charity Regulator (OSCR) review focused on whether in reaching and making the settlement payments, the charity trustees (members of the University Court) met their trustee duties under the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act).

The findings of the SFC review were published in February 2020 and those of the OSCR review in July 2020 – these are available in full here: <http://www.sfc.ac.uk/publications-statistics/corporate-publications/2020/SFCCP032020.aspx>; <https://www.oscr.org.uk/media/3950/2020-07-14-section-33-report-aberdeen-uni.pdf>.

The SFC review concluded that, in regard to the settlement payments, there were several breaches with its requirements of the University under the Financial Memorandum and the Scottish Code of Good HE Governance (2017). As a consequence, the SFC required the University to repay £119k in grant funding to it (this being proportionate with the percentage of income the University received from the SFC in 2017-18) and to undertake an externally-facilitated review of its governance procedures and culture. It also suggested that the University consider whether to repay additional monies to SFC or by donating to a University learning-related activity.

The OSCR review concluded that while the charity trustees were faced with an urgent need to address a potentially difficult situation in the academic leadership of the University in the summer of 2017, the level of care and diligence that was exercised by those charity trustees who were members of the Remuneration Committee at the time in reaching a settlement with the Principal fell below the required standard. It considered this to be a breach by the charity trustees who were members of the Remuneration Committee of their trustee duty to act in the interests of the charity and that under the 2005 Act a breach of this duty was to be treated as misconduct in the administration of the University.

Following the retirement of the former University Secretary and prior to the conclusion of the SFC and OSCR reviews, the interim University Secretary was, on appointment in November 2019, invited to undertake a review of governance. In response to the findings of the SFC and OSCR reports, it was agreed that this review of governance be extended to be externally facilitated and following some disruption resulting from the Covid-19 pandemic, that process is being taken forward. It will report



back to Court and the outcome will be shared with both SFC and OSCR.

Notwithstanding that review of governance, immediately following publication of the SFC report Court established a working group from its current membership to respond to the findings of the SFC review, consider whether to repay additional monies to the SFC or another learning-related activity, and whether to ask the former Principal to repay some or all of the monies received by him in this regard. The Group reported to Court in June 2020 with its recommendations. It made several recommendations around responsibilities, guidelines and governance procedures and for the content of a severance policy which were approved by the Court and are being implemented. The Court approved a severance policy on 18 December 2020, to be applied from that date. Regarding the suggestion that the University pay back a further sum to the SFC or to a learning-related activity, the Court accepted the Group's further recommendations, these being:

- the Group did not consider it appropriate that the University repay or redirect further funds beyond the £119K it has already repaid to the SFC.
- the Group did not consider it appropriate that the University, as an educational charity itself, should divert further funding to other learning-related causes, potentially to the detriment of staff and students who are themselves engaged in a learning-related activity within the University. The Group noted that this suggestion from the SFC did not form part of the formal recommendations within its report.

Regarding the consideration that the University should ask the former Principal to return some - or all - of the payment he received, Court considered the Group's recommendation and:

- resolved that given that the SFC had required the University to repay a proportion of its grant in respect of the settlement made to the former Principal, the University should invite him to consider repayment of the same amount to the University. That request has been made but at the time of writing no monies have been repaid by the former Principal.

OSCR note that in light of their findings they considered taking formal action but concluded that it was not necessary or proportionate to do so because the present charity trustees were

actively taking measures to put into practice recommendations resulting from their report and also those in the SFC report. Consistent with the request by SFC, OSCR have, therefore, also asked that the University review its governance procedures and culture and report back on the implementation of improvements in practice where these are identified as necessary. As noted above, that wider review of governance is in progress under the oversight of the Governance and Nominations Committee and Court, which considered an interim report together with the findings of the OSCR review at an extraordinary meeting in August 2020. Court received an update in September 2020 and a further report in November 2020, with the governance review now subject to external facilitation.

Corporate Strategy

Court is responsible for approving the University's Strategic Plan and monitoring progress on the delivery of the Plan's strategic objectives. The Financial Review on pages 34 to 41 reports on the University's financial performance during 2019/20, and progress against strategic targets is provided on page 8.

Key Committees of Court and Operation under Covid-19

Court meets at least four times each year, but much of its work is addressed in the first instance by its principal sub-committees, in particular, the Policy and Resources Committee, the Audit and Risk Committee, the Governance and Nominations Committee, and the Remuneration Committee, all of which report solely to it. There are three further sub-committees which report jointly to both Court and the Senate being: the Student Experience Committee, Research Policy Committee and the University Committee on Teaching and Learning. During the period of the pandemic, Court and these committees have continued to meet 'remotely' without significant disruption to their business. No significant changes to the governance framework have been required but Court has reviewed and updated its procedures to enable urgent decisions between meetings to be taken under delegated authority, including refreshing the specification of decisions that must always be reserved to the full Court.

All of the Court's sub-committees are formally constituted with terms of reference available on the University website and the key committees are chaired by independent members of Court. The membership of Court's principal sub-committees during 2019/20 is listed on page 27. Where appropriate, these committees have delegated

authority from Court to take decisions on certain matters and major decisions are formally reported to Court. Similarly, when Court delegates powers to individuals to take decisions between meetings, such decisions are formally reported to Court.

The Policy and Resources Committee has a wide-ranging remit spanning finance, capital and estates, staffing, policies, health and safety, equality and diversity, digital strategy, student recruitment, commercialisation of research, and internationalisation. The Committee inter alia recommends to Court the University's annual revenue and capital budgets. It monitors performance in relation to the approved budgets and the implementation of strategies agreed by Court. The Committee is chaired by an independent member of Court. It has nine members composed of: four independent members of Court; two non-executive staff members of Court; a Students' Association nominated member of Court; the Senior Vice-Principal and the Principal.

The Governance and Nominations Committee has a standing role to advise Court on matters of governance and to conduct, on its behalf, reviews of the University's governance. The Committee undertakes a review of effectiveness annually through benchmarking against the Scottish Code of Good Higher Education Governance and through an annual appraisal questionnaire of governors. The Committee also has responsibility for considering nominations for vacancies in Court membership and vacancies in the membership of Court sub-committees.

The Committee has a majority of independent members. It is not chaired by the Senior Governor but by another independent member of Court. The Committee is cognisant of the need for Court to have in its membership an appropriate mix of skills, experience and diversity. Court has adopted a Statement of Intent on Diversity within its membership, which includes a goal of 50:50 gender balance. At 31 July 2020, 52% of members were female and 48% male, while the appointed independent membership was also gender balanced.

The Remuneration Committee determines the remuneration and conditions of service of senior staff, including the Principal. The Committee is chaired by an independent member of Court. It has a majority of independent members but also includes two non-executive staff members of Court and the President of the Students' Association. Where appropriate, the Committee obtains further independent advice. It meets at

least twice annually and reports to Court at least once a year.

The pay policy for senior staff is agreed by the Remuneration Committee and subsequently approved at Court. Following approval, the details of the policy are issued to all senior staff including the process for application for a salary uplift. In addition to the nationally agreed pay award, the Committee normally set a budget of £0.1m for discretionary pay awards. However for 2020, due to the financial constraints, there was no discretionary award exercise for senior staff. The Remuneration Committee reviews and approves the salaries for new members of the Senior Management Team, taking into consideration national benchmark information provided by UCEA (Universities & Colleges Employers Association) and also the experience demonstrated in the application/CV of the successful candidate. The Remuneration Committee also gives consideration to any cases presented for retention of staff where appropriate. In addition, where appropriate, and consistent with sections 14.13.10/11/12 of the financial regulations, the Remuneration Committee will consider severance payments for senior staff.

Audit, Risk Management and Internal Control

The Audit and Risk Committee has a lay membership which includes members with directly relevant experience. It meets a minimum of five times a year, with the University's internal and external auditors in attendance at all meetings.

The Audit and Risk Committee oversees and reports to Court its view of the effectiveness of the University's risk management arrangements, the operation of which is overseen by the Senior Management Team (SMT) but with Risk being a regular item on the Audit and Risk Committee agenda.

The University reports to Court via SMT and Audit and Risk Committee on its risk management arrangements on a bi-annual basis in accordance with its Risk Management Framework. This includes consideration of all risks included in the Strategic Risk Register, with a particular focus on those which exceed their tolerance threshold; noting tolerance thresholds are set to align with risk appetite ratings applied to each individual risk. Court also approves annually the University's risk appetite and the appetite score applied to each of the individual risks within the Strategic Risk Register. This process aligns with the internal control guidance for directors in the UK Corporate Code.

The Risk Management section on page 30 provides more detailed information on the University's risk management arrangements, including additional measures put in place to manage the impact of Britain's exit from the European Union and the Covid-19 pandemic. Specific Covid-19 risk identification and mitigation has dominated this year's Risk Management activity.

The Audit and Risk Committee considers detailed reports from the internal and external auditors, together with recommendations for the improvement of the University's systems of internal control and risk management, alongside University management's responses and implementation plans. The Audit and Risk Committee's role is one of high level review of the arrangements for internal control, risk management and value for money. It has authority to investigate any matters within its terms of reference. It also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. While senior executives attend meetings of the Audit Committee, as necessary, they are not members of the Committee. The Committee regularly receives presentations on a key area of University business or developments in higher education policy or relevant legislation.

The University fully endorses the provisions of the Scottish Funding Council's Financial Memorandum.

The University retains an external firm of Internal Auditors appointed at least every five years through a competitive tendering process. The University undertook such a tendering process during 2018/19 as a result of which it reappointed its previous firm of Internal Auditors with effect from 1 August 2019, for a period of three years, with the option to renew for two further one year periods. The University Court receives, on an annual basis, a report on internal audit activity, including an independent assessment of the adequacy and effectiveness of the University's systems of internal control, including risk management and financial control. For the year to 31 July 2020, the internal audit report concluded that the University's systems were generally satisfactory with some improvements required for all areas except Procurement of Design Consultants and Project Management Arrangements where major improvements are required.

The University recognises through its Policy and Procedure on Public Interest Disclosure (Whistleblowing) that the raising of legitimate concerns by staff, students, members of Court or the general public and which are in the interests of the University, its staff or students, or of the general public, is a practice which should be encouraged. The Policy and Procedure were reviewed and updated in December 2020 and the Audit and Risk Committee has a formal role in overseeing the policy and to receive reports from management on cases.

Trade Union Facility Time Reporting for the period April 2019 to March 2020

Background

The University recognises the following unions: University and College Union (UCU), Unison, Unite and Prospect.

Union representatives have a statutory right to reasonable time off for trade union duties and for trade union activities; however, there is no statutory right for the time off for activities to be paid (only union duties attract reasonable paid time off). The University has a Partnership Working and Recognition Agreement which sets out the formal framework of the partnership approach and details the arrangements for consultation and facility time. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

As required under Section 13 of the Trade Union Act 2016 and The Trade Union (Facility Time Publication Requirements) Regulations 2017, the annual data on the number of hours and cost of facility time within the University is detailed below:

Table 1: Trade union representatives and full-time equivalents (Number of employees who were union representatives during the period)

	2020	2019
Trade union representatives (No.)	12.0	20.0
Trade union representatives (FTE)	12.0	18.4

Table 2: Percentage of union representatives working hours spent on facility time

Percentage of Working Hours	2020	2019
0%	-	-
1 to 50%	12.0	20.0
51 to 99%	-	-
100%	-	-

Table 3: Total pay bill and facility time costs from April 2019 to March 2020

	2020	2019
Total pay bill	£117.9m	£116.1m
Total cost of facility time	£32k	£49k
% of pay bill spent on facility time	0.03%	0.04%

Table 4: Paid trade union activities

	2020	2019
Hours spent on paid facility time	1,569	1,765
Hours spent on paid TU activities	-	-
% of total paid facility time hours spent on paid TU activities	0.00%	0.00%

Senior Officers

The Principal, who is a member of Court ex officio, has responsibility for implementing the decisions of Court, for initiating discussion and consultation on the University's future development and for ensuring that appropriate proposals are presented to the governing body and as the Designated Officer of the University under the terms of the Financial Memorandum between the University and the Scottish Funding Council, for ensuring that Court takes cognisance of the terms of the Financial Memorandum in all its decision making.

The Secretary is the principal officer of Court and is responsible for ensuring that Court acts within its powers and follows proper procedures. The Secretary provides independent advice to Court members about their individual and collective responsibilities and how they should be discharged.

Going Concern

The University's activities and the factors likely to affect its future development, performance and position are set out in the Financial Review. Its cash flows and liquidity are set out in more detail in the Notes to the Financial Statements.

The University Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

Conclusion

Overall, Court is of the view that it has in place a robust set of governance arrangements and procedures to fulfil its responsibilities.


Professor Nuala Booth PhD FRSE

Interim Senior Governor of the University Court

23 February 2021



STATEMENT
OF PRIMARY
RESPONSIBILITIES
OF COURT

Court adopted a Statement of Primary Responsibilities which was in operation during 2019/20. Court's primary responsibilities are:

Strategic Direction

1. To approve the mission and strategic vision of the University, including institutional and longer-term academic and business plans, and key performance indicators, and to ensure that they meet the interests of stakeholders, including students, staff, alumni, local and national communities and funding bodies.
2. To safeguard the good name and values of the University.

Supervisory Obligations

3. To delegate to the Principal, as chief executive, authority for the academic, corporate, financial, estate and human resource management of the University, and to establish and monitor such management functions as shall be undertaken by and under the authority of the Principal.
4. To ensure the quality of educational provision through the review of decisions of the Senate made under its statutory powers to regulate and superintend the teaching and discipline of the University and to promote research.

Corporate Responsibilities

5. To be the University's legal authority and, as such, to ensure that systems are in place for meeting the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
6. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University, which is not within the control of the University of Aberdeen Development Trust.

7. To ensure that the University's constitution, as enacted in the Acts, Ordinances and Resolutions affecting the University 1858-1990 and subsequent legislation, is followed and that appropriate advice is available to enable this to happen.
8. To be the employing authority for all staff in the University.
9. To ensure that the University behaves ethically, responsibly and with respect for the environment and for society at large.

Controls, Accountability and Effectiveness

10. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, to ensure adherence to the funding requirements specified by the Scottish Funding Council, and to have overall responsibility for the University's assets, property and estate and their use.
11. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and management, so as to maintain the solvency of the University and safeguard its assets.
12. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against approved plans and key performance indicators, which should be benchmarked against other comparable institutions, wherever possible.



13. To ensure that arrangements are in place to promote the proper management of the health, safety and security of students, staff and others affected by the University.
14. To provide institutional leadership in equality and diversity and to ensure there are appropriate policies and procedures to support a culture in which all staff and students can thrive across the University and which meet relevant legislative and regulatory requirements.
15. To make provision, in consultation with the Senate, for the general welfare of students.
16. To ensure that procedures are in place for dealing with internal grievances, conflicts of interest and public interest disclosure.
17. To establish processes to monitor and evaluate the performance and effectiveness of the University Court and its sub-committees and to ensure that business is conducted in as open a manner as possible, in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
18. To ensure, through the appointment of co-opted lay persons, a balance of skills and experience amongst the membership of Court to meet its primary responsibilities.

Monitoring of Senior Executives

19. To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
20. To appoint the Secretary to Court and to ensure that there is an appropriate separation in the lines of accountability between responsibilities to Court and managerial responsibilities within the University.

Responsibility for financial matters

Court is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, the financial position of the University at any time and enable it to ensure that the financial statements are prepared in accordance with the Statutes, the 2019 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and other relevant accounting standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Aberdeen, Court, through its designated office holder, is required to prepare financial statements for each financial year which

give a true and fair view of the state of affairs of the University and of the surplus or deficit, total comprehensive income and expenditure and cash flows for that year.

When preparing the Group and parent University financial statements, Court is required to:

- ensure suitable accounting policies are selected and applied consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Group or the parent University, or to cease operations, or have no realistic alternative but to do so.

Court is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

Court has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Scottish Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe;
- ensure that any other funds, from whatever source, administered by the Group or the University for specific purposes, have been properly applied to those purposes in accordance with relevant legislation and any other terms and conditions attached to them;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and hence take reasonable steps to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

MEMBERSHIP OF COURT AND KEY COMMITTEES



UNIVERSITY COURT MEMBERSHIP:**Rector**

Ms M Chapman

Principal

Professor G Boyne

Senior Governor

Ms E Robertson (to 31.12.20)
Professor N Booth (Interim Senior Governor from 01.01.21)^{****}

Assessors: Senatus

Professor M Delibegovic (to 31.10.19)
Dr N Oren (to 30.09.19)
Professor J Schaper
Dr R Shanks (to 30.09.19)
Dr D Skatun (from 29.01.20)
Mrs L Tibbetts (from 01.10.19)
Professor N Vargesson (from 01.10.19)

Elected Academic Staff Member

Dr M Mills

Elected Non-Academic Staff Member

Mrs J Fernandes (to 31.10.20)
Mr N Edwards (from 01.11.20)

Academic Trade Union Nominee

Dr D Watts (to 31.10.20)
Dr H Martin (from 01.11.20)

Non-Academic Trade Union Nominee

Mr B Paterson (to 31.07.20)
Mr O Cox (from 01.08.20)

President, Students' Association

Ms C Wallback

Second Students' Association Nominee

Ms D Koleva (to 30.06.20)
Mx L Henrard (from 1.07.20)

Independent Members

Mr K Anderson (from 01.08.20)
Dr C Backwell (from 01.01.20)
Ms E Bentley (from 01.08.19)
Professor N Booth^{**}
Mr C Duncan (to 17.08.20)
Mr J Hall (to 30.09.19)
Ms L Jack (to 31.10.19)
Mr D MacFarlane
Mr I Mackay
Mr G McRae (from 01.10.19)^{***}
Ms L Menzies
Ms A Minto
Mr I Percival
Mrs J Shirreffs
Mr D Steyn (to 31.07.20)^{*}

POLICY & RESOURCES COMMITTEE MEMBERSHIP

Ms A Minto (Chair)
Mr J Hall (to 30.09.19)
Professor N Booth
Mr O Cox (from 11.11.20) (As alternate to Mr N Edwards if unavailable)
Professor G Boyne
Professor M Delibegovic (to 31.10.19)

Mr N Edwards (from 11.11.20)
Mrs C Inglis (to 31.10.19)
Professor K Leydecker
Mr G McRae (from 01.10.19)
Ms L Menzies
Mr B Paterson (to 31.07.20) (As alternate to Dr Watts if unavailable)
Dr R Shanks (to 30.09.19)
Ms C Wallback
Dr D Watts (to 31.10.20)
Professor N Vargesson (from 01.10.19)

REMUNERATION COMMITTEE MEMBERSHIP:

Mr D Steyn (Chair to 05.01.20)
Mr I Mackay (from 01.10.19 and Interim Chair from 16.06.20)
Mr K Anderson (from 24.11.20)
Professor N Booth (from 01.01.21 as Interim Senior Governor)
Mr O Cox (from 30.09.20 on interim basis and then from 11.11.20)
Mr C Duncan (to 17.08.20)
Dr H Martin (from 11.11.20) (As alternate to Mr Cox if unavailable)
Mr B Paterson (to 31 July 2020)
Mr I Percival
Ms E Robertson (to 31.12.20)
Dr R Shanks (to 30.09.19)
Mrs L Tibbetts (from 01.10.19)
Ms C Wallback (from 01.07.19)

GOVERNANCE AND NOMINATIONS COMMITTEE MEMBERSHIP:

Mr J Hall (Chair to 30.09.19)
Mr C Duncan (Chair from 01.10.19 to 17.08.20)
Ms E Bentley (Interim Chair from 21.08.20)
Dr C Backwell (from 24.11.20)
Professor N Booth (from 01.01.21 as Interim Senior Governor)
Professor G Boyne
Mrs J Fernandes (to 31.10.20) (As alternate to Dr Mills if unavailable)
Professor K Leydecker (As alternate to Professor Boyne if unavailable)
Ms L Jack (to 31.10.19)
Mr I Mackay (to 31.07.20)
Mr G McRae (from 21.08.20)
Dr H Martin (from 11.11.20) (As alternate to Dr Mills if unavailable)
Dr M Mills (to 31.10.20)
Ms E Robertson (to 31.12.20)
Professor J Schaper
Mrs J Shirreffs (Interim Chair for meeting of 10.09.19)
Ms C Wallback

AUDIT COMMITTEE MEMBERSHIP:

Mr D MacFarlane (Chair)
Ms E Bentley (from 10.09.19)
Ms L Macfarlan
Mrs M McNeill
Mr P Milne

^{*}Senior Independent Member to 31.07.20

^{**}Senior Independent Member from 30.09.20 to 31.12.20

^{***}Interim Senior Independent Member from 01.01.21

^{****}Pending the outcome of elections to be held in 2021

ATTENDANCE OF COURT AND AUDIT COMMITTEE MEMBERS AT UNIVERSITY COURT AND COMMITTEE MEETINGS FOR THE YEAR TO 31 JULY 2020

Member	University Court	Audit and Risk Committee	Policy & Resources Committee	Remuneration Committee	Governance and Nominations Committee
Ms M Chapman	3 of 4				
Professor G Boyne	4 of 4		6 of 7		3 of 3
Ms E Robertson	4 of 4			1 of 1	3 of 3
Professor M Delibegovic	1 of 1		1 of 1		
Dr N Oren	n/a				
Professor J Schaper	3 of 4				3 of 3
Dr R Shanks	n/a		n/a		
Dr D Skatun	2 of 2				
Ms L Tibbetts	4 of 4			2 of 2	
Professor N Vargesson	4 of 4		6 of 6		
Dr M Mills	3 of 4				3 of 3
Mrs J Fernandes	4 of 4				
Dr D Watts	4 of 4		7 of 7		
Mr B Paterson	4 of 4			2 of 2	
Ms C Wallback	4 of 4		6 of 7	2 of 2	3 of 3
Ms D Koleva	4 of 4				
Dr C Backwell	2 of 2				
Ms E Bentley	4 of 4	6 of 6			
Professor N Booth	4 of 4		7 of 7		
Mr C Duncan	3 of 4			2 of 2	2 of 2
Mr J Hall	0 of 1		n/a		0 of 1
Ms L Jack	0 of 1				0 of 1
Mr D MacFarlane	3 of 4	6 of 6			
Mr I Mackay	3 of 4			2 of 2	2 of 3
Mr G McRae	4 of 4		6 of 6		
Ms L Menzies	4 of 4		6 of 7		
Mrs A Minto	4 of 4		7 of 7		
Mr I Percival	4 of 4			2 of 2	
Mrs J Shirreffs	4 of 4				2 of 3
Mr D Steyn	4 of 4			1 of 1	3 of 3*
Ms L Macfarlan		4 of 6			
Mrs M McNeill		6 of 6			
Mr P Milne		6 of 6			

*In attendance as Senior Independent Member.

N/A denotes where no meetings took place that the individual could have attended during the period of their membership.







Risk Management at Aberdeen

Risk Management Processes

Risk Management Structures

RISK MANAGEMENT

RISK MANAGEMENT

Risk Management at Aberdeen

The management of risk at the University is undertaken as part of the institution's Risk Management Framework, which is based on internationally recognised standards in risk management, widely accepted as best practice. The Risk Management Framework forms part of a wider institutional corporate governance structure and includes an institutional risk management policy, a University statement on risk appetite, along with risk appetite ratings for individual risks. It also includes a detailed risk management process which prescribes methods for risk identification, monitoring and control, and arrangements for assurance. The Framework applies to Schools, Professional Services and capital projects, where it is a key tool used in line with the University's Project Management Methodology.

With the publication of Aberdeen 2040, the University commenced a detailed review of its long-term risk management arrangements, including a review of the Risk Management Framework and the composition of the Strategic

Risk Register. This was to ensure that the University's arrangements continued to reflect best practice, that all risks identified at a strategic level remained relevant, and that both threats and opportunities arising from the new strategy were identified, documented, understood, monitored and managed. This review is due to be completed in early 2021, having been delayed with the advent of Covid-19.

As a result of the pandemic and to allow proactive management of risks arising from the crisis, the University adjusted its risk management arrangements in spring 2020, drawing from the existing Framework, but tailoring its approach to deal more directly with threats arising as a consequence of Covid. This included establishing new and more detailed risk registers, designed, to address, first, imminent threats of an operational nature, and second, more strategic threats the University is facing over the short, medium and longer term.

Strategic Risks

The current register, as before, addresses key areas of strategic and operational importance, but has furthermore been designed as an agile tool for mitigating the risks posed by Covid, both in terms of strategic direction and long-term sustainability, along with the major operational impacts the University now faces in key areas. In its present form, it is comprised of 15 key risk areas, though with the ongoing review of risk management arrangements referred to above, the strategic risks will undergo a further review to ensure they align with future strategic objectives. A short description of the 15 risk areas is given in the table overleaf:

Strategic Risks and Risk Appetite



STRATEGIC RISK AREA	RISK DESCRIPTION	RISK MANAGEMENT
Financial Sustainability	The University already faces risks arising from SFC funding decline, pension contributions and Brexit. The pandemic presents a new and unprecedented threat to the University's financial sustainability and its cash reserves.	Key financial risks are closely managed and management of risks arising from Brexit is ongoing. In response to Covid, steps have been taken to manage spend in all areas, including staff recruitment, furlough, staff pay, operational costs and capital projects. Efforts to minimise the impact on student recruitment are ongoing through blended teaching delivery.
Estates and Facilities	The campus closure in spring 2020 presented significant risks to the University estate, arising from loss of income and pausing of capital projects. While risks to the physical estate arising from prolonged closure were well managed, the pandemic continues to pose a significant financial risk longer term.	Income plans have been adjusted and capital projects have recommenced where safe. Plans were developed to support the safe return of staff and students to campus and student halls in autumn 2020 in line with Government guidance. These plans are under continuous review during the pandemic to ensure full alignment with the Scottish Government's Covid-19 strategy.
Student Recruitment (UG & PGT)	Failure to meet student number targets presents financial and reputational risks to the University. While risks arising from Brexit have been monitored closely in recent years, the pandemic has created additional threats to recruitment and financial sustainability.	Efforts are ongoing to manage the impact of Brexit. To mitigate the impact of Covid-19, recruitment and admissions processes have been adjusted to enable direct engagement with applicants, the University's PGT programme portfolio has been expanded to facilitate more flexible entry, and the academic year has been adjusted to support student recruitment.
Education	Covid-19 presents a major risk to the student experience and graduate employability. There is furthermore a risk that the pandemic will have a disproportionate impact on certain student groups such as student parents, carers, students from widening access backgrounds, and disabled students.	Aberdeen 2040 sets out the University's ambitions in relation to education and inclusion and these strategies are being taken forward. In mitigation to the pandemic, strategies were put in place to manage teaching and assessments and to facilitate the move to a blended delivery model with specific support measures put in place for disadvantaged groups.
Research	Continued growth in research is paramount for income generation and research reputation. In addition to risks arising from Brexit, the pandemic created wide-ranging threats to our research strategy. All laboratory-based research (with exceptions linked to pandemic research) was suspended in spring 2020. While laboratory work resumed after the first lockdown there remains a significant risk of further loss of activity due to lockdowns or restrictive measures put in place.	The University has developed an ambitious research strategy for the next twenty years. To manage the impact of Covid, the University is engaging with Covid-19 research calls and proactively managing research activity, giving priority to new grant applications. Strategies are in place to support the University's research culture in order to maintain a supportive and enabling research environment for staff.
Digital Information Services	The HE sector faces increased risks in the area of cyber security and the pandemic has increased these threats further. While supporting blended learning remains a key priority during the pandemic, the financial measures taken to manage the impact on the University create further risks to digital support and delivery of strategic projects across the University.	The University has multiple strategies in place to manage security threats. Pandemic mitigations have focused on close monitoring of IT security and threat intelligence and, to manage financial constraints, non-essential activity has been scaled back to allow support to the student experience to be prioritised. Roll out of MFA technology has been expedited.
PGR Students	The University has ambitions to grow its PGR population further. Travel restrictions, and the threat of further lockdowns arising from the pandemic, present risks to PGR student recruitment, retention and progression, and to the maintenance of a supportive research environment.	Various initiatives are in place to support recruitment. The PGR School engages closely with applicants and is providing increased student support during the pandemic, including online training for students, online thesis submission and oral examinations, and the reprofiling of PhD deliverables.
Staffing	The pandemic has curtailed the University's ability to attract and retain staff to support its strategic ambitions. A staff recruitment freeze was implemented in early spring 2020 which has increased the risk of staff shortages and the potential non-retention of existing staff with a further impact on teaching, research and administrative delivery.	As a result of the global recruitment campaign launched in 2019 new academic staff were appointed before the pandemic. However, to manage the impact of Covid, steps were taken to temporarily redeploy and upskill staff to address shortages in key areas during the pandemic. In exceptional circumstances where appointment is business critical, staff recruitment has been authorised. Compliance with E&D requirements is closely monitored.
International Partnerships	The University's internationalisation strategy is paramount to continued growth. The pandemic has increased risks to existing and new international partnerships as global mobility is curtailed.	The University is taking forward strategies to strengthen further its international outreach as part of Aberdeen 2040. Strategies are in place to minimise interruption to the University campus in Qatar and other existing partnership activity arising from the pandemic, through close dialogue with partners and online delivery of activity.
Development Trust	The key risks to the activities of the Development Trust relate to the Trust's ability to fundraise during the pandemic, engagement with donors and alumni, and the value of the investment portfolio.	Mitigations focus on continued close contact with alumni and donors and engagement with selected fundraising activity.

STRATEGIC RISK AREA	RISK DESCRIPTION	RISK MANAGEMENT
Public Engagement, Communication and Reputation	There has been an unavoidable impact on external engagement with communities and stakeholders as a result of the pandemic.	All events have been moved online and proactive marketing of events is in place. A communication strategy is in place to keep staff, students, applicants, and other stakeholders informed about the University's response to the pandemic.
Health, Safety and Wellbeing of Students	The health, safety and wellbeing of students is at the forefront of the University's activities. The pandemic has increased the risk to our students, first, with a move to off-campus learning and later the transition to blended learning models where efforts have focused on safeguarding the health of our students and providing them with a positive educational experience.	An early decision was taken to close the campus to minimise the risk to student health, safety and wellbeing. Hardship funds have been increased with additional fundraising taking place to support students. The University has liaised closely with sector agencies and the Scottish Government in developing its responses.
Leadership and Governance	The University continues to monitor closely compliance with legislative and regulatory requirements in all areas of University business but risks in this area have been heightened as a result of the pandemic and the requirement to provide a rapid response while ensuring adherence to internal and external governance standards.	To mitigate against these risks the University set up various groups to develop and manage strategies for re-opening the campus and deliver recovery strategies for 2020/21. Court and its committees are able to meet at short notice and an Emergency Powers Group is constituted under existing procedures to take decisions under delegated powers if needed.
Health, Safety and Wellbeing of Staff	The University has a duty to safeguard the health, safety and wellbeing of staff. Risks arise both from prolonged home-working arrangements as a result of the pandemic and from the reopening of campus and delivery of blended teaching. Heavy staff workload also remains a concern.	The University has a mature health and safety framework in place. To mitigate risks arising from Covid, strategies were put in place to support staff working from home and to allow staff to return to campus as required, while protecting their health, safety and wellbeing. Efforts are being made to pause non-essential activity to manage workload.
Student Body and Other Third Parties	Key risks to note relate to the sustainability of various on-campus activities run by third parties, such as the Rocking Horse Nursery, Aberdeen Sports Village, catering providers on campus, and the Students' Association.	The University liaises regularly with key third-party partners on mitigations relevant to the campus and its activities.

Extensive work has also been undertaken at a tactical level to address the immediate impacts of Covid. Although priority is given to managing the impact of the pandemic, the University continues to plan for the future, and will embrace opportunities where the strategic benefits are considered to outweigh the relative risks; for example, partnership arrangements, or in pursuing different overseas initiatives under TNE.

Risk Appetite

The University's appetite for accepting risk will change depending on the risk area under consideration and the specific objectives involved. Under the University's Strategic Risk Register, now pending revision, risk appetite ratings are applied to each of the key risk areas it covers, reflecting the University's varying attitude to risk across different contexts. A similar approach is likely to be used when new, long term risk management arrangements are finalised in early 2021.



FINANCIAL
REVIEW

Year ended 31 July 2020

Scope of the Financial Statements

The Financial Statements, which have been approved by the Court, have been prepared on a consolidated basis and represent the consolidated results of the University and its subsidiary, the Rowett Research Institute Ltd. The statements comply with Financial Reporting Standard (FRS) 102 and the Statement of Account Practice (SORP) Accounting for Further and Higher Education 2019.

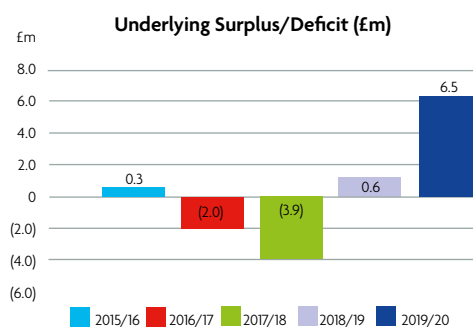
Financial Performance

The Group's reported results for the year are:

	2020	2019
	£000	£000
Income	233,771	228,494
Expenditure	(199,984)	(272,651)
Surplus/(deficit) before other gains and losses	33,787	(44,157)
Other gains/(losses)	448	(501)
Actuarial (loss) in respect of pension schemes	(15,170)	(9,407)
Comprehensive income/(loss) for the year	19,065	(54,065)

Our financial management emphasis is on the underlying results that exclude non-controllable and other individually significant items such as the movement of the value of investments and pension deficits. The underlying surplus for the year to 31 July 2020 is £6.5m compared with an underlying £0.6m surplus for the prior year as follows:

	2020	2019
	£000	£000
Surplus/(deficit) before other gains and losses	33,787	(44,157)
Voluntary severance and early retirement schemes	369	135
Provisions for onerous contracts and pre-establishment costs	33	922
Impairments	-	119
Pension provision movements (Note 21)	(27,726)	43,595
Underlying surplus	6,463	614

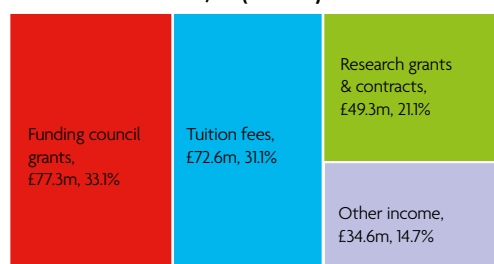


Our underlying surplus is representative of our improving financial position prior to the Covid-19 outbreak. The closure of our campuses in March 2020 affected our finances for the year to 31 July 2020. The refund of accommodation fees to the end of term, the complete closure of catering facilities and the closure of laboratories have reduced our income by £7.1m for the year. Tuition income was not affected as the majority of teaching was complete and the remainder was delivered on-line.

By far the greatest impact was the effect on our students, with most of our student population returning home in March, exams being held on-line or cancelled and for those completing their final year, graduation ceremonies were postponed.

Immediately upon closure of our campuses, the University took positive steps to mitigate against the financial impact of the outbreak. All non-essential spend, including the King's regeneration project was paused, a freeze on all recruitment apart from business-critical posts was implemented and the University made use of the Coronavirus Job Retention Scheme, where appropriate. The decision to continue with the Science Teaching Hub development was taken as the project was mid-construction and ceasing part way through would have led to additional contractual costs. Subsequent Government guidance did result in a halt to construction; however, the project has restarted and is now expected to be completed in early 2022. These actions resulted in our operating cash balance being approximately £6.0m higher than forecast prior to the outbreak.

Sources of Income 2019/20 (£233.8m)



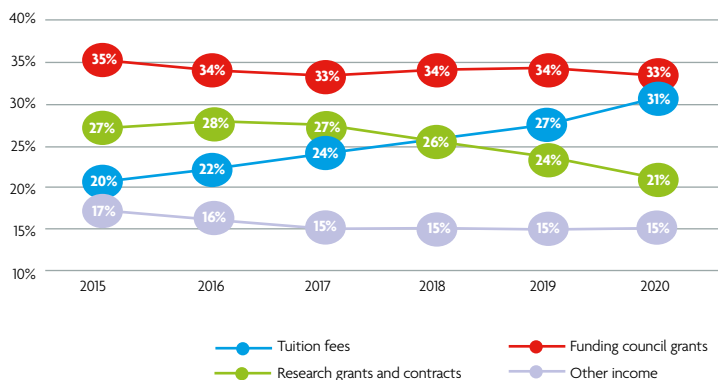
Overall, despite the impact of Covid-19, income for the year has increased by £5.3m to £233.8m.

Funding Body grants have fallen by £0.3m to £77.3m. Tuition fees have increased by 15.9% to £72.6m with Scottish & EU fees increasing by £0.5m to £20.3m, or 2.6% from 2018/19 levels. Non-EU fees continued to grow as per the projections that supported the strategy to borrow to invest in our King's College campus, with an increase of £9.4m or 29.5% to £41.5m in the year to 31 July 2020. Rest of UK fees decreased by £0.2m to £8.4m.

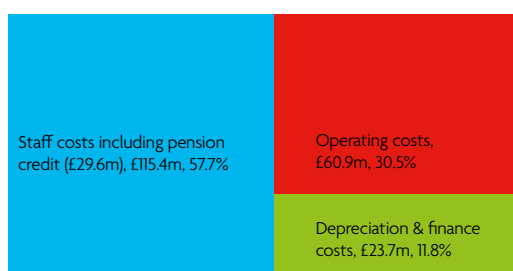
Research grants and contracts income of £49.3m decreased by £4.9m (9.1%) from £54.2m in the previous year. The decrease is mainly attributable to reductions to Research Council (£1.7m) and UK based charity income (£2.3m), as well as a number of less significant reductions to other categories, which were partially offset by a £1.3m increase in EU government research grant income.

Despite reductions in accommodation and catering income of £3.7m, other income increased by £0.5m to £34.6m. The University claimed £2.1m from the UK Government's Coronavirus Job Retention Scheme, income from health authorities increased by £1.0m and investment income improved by £0.5m due to higher cash and investment balances.

Movements within Income Sources



Sources of Expenditure 2019/20 (£200.0m)



Overall, total expenditure reduced by £72.7m or 26.7% to £200.0m.

Staff costs of £115.4m have fallen by £63.7m (35.6%), with the reduction resulting from movements in pension provisions. The implementation of Universities Superannuation Scheme (USS) 2018 valuation exercise, resulted in the planned non-cash credit of £30.0m to staff costs with a charge of £0.4m in respect of our other pension schemes. Staff costs, excluding pension liability movements of £145.0m were approximately £8.4m higher than in the previous year, in part, due to our investment in key strategic posts. Other expenditure of £60.9m fell by £10.1m or 14.2% during the year, predominantly due to the action taken to control costs due to the Covid-19 pandemic. Depreciation charges reduced by £1.8m largely due to a review of the useful lives of our academic building portfolio.

Other Gains and Losses

Our non-current investment portfolio reported an overall gain of £0.1m for the year, with a partial sale of shares in a spin out company realising a gain of £0.3m, which was offset by a £0.2m reduction to our endowment and pension portfolios. Following the appointment of new investment advisors in Summer 2019, our investment portfolio was restructured during the year. The timing of the restructure protected the value of the portfolio from the significant reductions suffered by markets in March as a result of the Covid-19 outbreak.

The continued downturn in the Aberdeen housing market has resulted in a further £2.0m (2019: £1.6m) reduction in the value of our investment properties. Surplus investment properties and land were sold during the year resulting in a gain of £2.8m.

Actuarial Loss in Respect of Pension Schemes

The majority of the £15.0m loss is attributed to the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS). Overall, the scheme deficit increased by £14.5m to £36.6m and the Strathclyde Pension Fund (SPF) moved from a small surplus to a deficit of £1.7m during the year.

Treasury Management, Cash Flow & Covenant Requirements

Borrowing

Total unsecured loans amount to £104m and include £4m of Financial Transactions funding received from the Scottish Funding Council (SFC) during the year to update the central heating plant at our Hillhead Halls of Residence site. The University secured £60m of borrowing from

a successful private placement in May 2019 to provide £50m of investment for our King's College campus and the potential to repay £10m of our existing loan facility in September 2021.

The funds were secured at a blended interest rate of 3.12% and are repayable in three equal instalments in 2044, 2049 and 2054. In addition to the private placement, the University has a £40m loan facility with Barclays Bank Plc, which has been fully drawn down and has been used to fund our capital investment. Repayments are due in four instalments of £10m, in September 2021, 2026, 2031 and 2036 respectively with the intention that the first repayment will be funded from the private placement.

The University has previously entered into finance leases for halls of residence, with £24.5m outstanding for an agreement expiring in 2037.

Cash Flow

Operating activities generated a cash inflow of £17.7m (2019: £16.2m). After taking account of capital expenditure, investment income and borrowing costs, the overall Group cash inflow was £12.1m, compared with an inflow of £4.4m in the previous year. This increased cash flow is in part due to the actions taken to protect cash balances at the outset of the pandemic.

Financial Covenants

The University has two external covenant tests with which it must comply. The first is a debt service cover test where cash flows from operating activities, adjusted to include investment and endowment income, must equate to at least 1.5 times the level of interest charges and debt repayment. The second measure is a gearing test, where debt, including the pension guarantee, must not exceed 50% of net assets. For financial year 2019/20, the University complied comfortably with both measures returning a debt service cover ratio of 3.5 times and a gearing percentage of 38.9%.

Payment of Creditors

The University has no single policy for payment of creditors but abides by arrangements negotiated with its suppliers. No interest was paid in the year under the Late Payments of Commercial Debts (Interest) Act.

Non-Current Assets

The value of non-current assets decreased by £56.8m to £597.7m during the year. The reduction is due to the reclassification of £55.0m of term deposits that were nearing maturity as at 31 July 2020 and are now included within current investments. Work continues on the Science

Balance Sheet as at 31 July 2020

Assets (£722.3m)		Reserves: (354.6m)	
Buildings & equipment, £526.8m	Cash & deposits, £102.8m	Loans & leases, £128.9m	Unrestricted reserves - £302.7m
	Investments, £70.9m		
	Other, £21.8m	Provisions, £82.5m	Deferred grants, £93.6m
	Creditors, £62.7m		

Teaching Hub, with £13.3m of expenditure to date, and the King's redevelopment was taken to the planning permission stage before being paused. We continue to invest in our digital infrastructure with the recent focus towards the "blended" provision of our courses. Capital additions of £19.0m have been offset by depreciation charges of £17.1m and the reduction in value of investment properties of £2.0m.

Net Current Assets

As at 31 July 2020, the Group reported net current assets of £60.9m with net current liabilities of £3.2m as at 31 July 2019. This improvement is due to the reclassification of £55.0m of term deposits and the significant increase to cash holdings. Debtors include £2.4m in respect of land sales with the provision for bad debts being increased by £0.4m to £1.1m. As with many research-intensive universities, prepaid income for research grants of £19.8m (2019: £18.9m) is a main element of our creditors falling due within one year. Creditors falling due within one year also include capital grants to be released of £4.1m and an accrual in respect of untaken annual leave of £5.1m.



Creditors: Amounts Falling Due After More Than One Year

Long term creditors have increased by £2.6m to £221.5m during the year reflecting the increase in borrowing due to the £4m award of Financial Transactions funding from the Scottish Funding Council.

Creditors comprise of borrowing of £103.6m, finance lease obligations of £24.3m and £93.6m of deferred income in respect of capital grants from government organisations.

Provisions & Pension Schemes

Pension provisions have decreased by £12.7m to £82.9m during the year. The provisions cover the discounted fair value of the contractual contributions of £40.5m, a reduction of £28.9m (2019: £69.4m) for the Universities Superannuation Scheme (USS), and a further £36.6m, an increase of £14.5m (2019: £22.1m) in respect of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS). The Strathclyde Pension Fund (SPF) reports a deficit of £1.7m compared with a small surplus in the previous year. A further £3.2m (2019: £3.2m) has been provided against the payment of enhanced pensions to a number of former Northern College employees.

The UASLAS scheme triennial valuation exercise for 31 July 2019 was completed during the year and reported a deficit of £9.6m that has resulted in an increase to the future service accrual of 0.9% to 13.4%. The existing employer contribution rate of 18.4% includes a deficit recovery contribution of £725,000, but due to the Covid-19 pandemic the University and Scheme Trustees have agreed to reduce this to £362,500 for financial years 2021 and 2022. Deficit recovery contributions will increase to approximately £1m per annum from August 2022 to July 2025 before reverting to £725,000 from August 2025. These changes result in a revised employer contribution rate of 18.9% from 1 November 2020.

The accounting deficit of £36.6m reported as at 31 July 2020 is significantly larger than the £9.6m deficit from the 2019 valuation exercise. As well as the timing difference between the valuations and the resultant reduction in interest rates, regulations require that the accounting deficit is calculated on a more prudent basis than that of the triennial valuation exercise. The University has provided a pension guarantee facility for £9.1m as per the reported 31 July 2016 valuation deficit which has now been increased to match the 2019 valuation deficit.

USS is a multi-employer scheme in which the University is a participating employer. The 2018 actuarial valuation of USS was formally completed during the year and the total multi-employer pension liability reduced from £7.5bn to £3.6bn. As disclosed in our 2018/19 annual report, due to this reduced liability, our USS deficit was predicted to reduce significantly in the year to 31 July 2020. The provision has decreased by £28.9m to £40.5m which is in line with our expectations.

The March 2020 valuation is now underway. Initially it was anticipated that a revised approach based on work carried out by the Joint Expert Panel would remove the requirement for the planned October 2021 increases to both employer and employee contributions. The depression of markets in March 2020 following the Covid-19 outbreak makes this highly unlikely. USS consulted with employers in the Autumn of 2020 in respect of the methodology, assumptions and risk appetite to be used within the 2020 valuation. In tandem, work continued on the covenant, with the USS Trustee looking to agree support mechanisms such as debt monitoring and pari-passu security for new debt raised by universities. This is viewed as fundamental to maintaining the strength of the covenant, allow a higher level of risk to be accepted and to help control the cost of future pension benefits. The University formed a pension working group to provide a response to the consultation.

USS are expected to provide details of the valuation exercise in the first quarter of 2021 and whilst it is too early to determine the likely deficit on the scheme, this is likely to be significantly higher than the £3.6bn resulting from the 2018 valuation exercise. Following this, universities will be given the opportunity to provide a response, the mandate must be confirmed and discussions undertaken with UCU. Whilst it is premature to provide a deficit figure and the impact that this will have, USS as part of their consultation indicated that, dependent on the assumptions adopted after the consultation and covenant work is completed, the deficit may range from £9.8bn to £17.9bn. This expected increase means that higher contribution levels for both employers and employees are inevitable and will lead to additional financial pressure within the sector. For indicative purposes, a 1% increase to employer contributions results in additional cost to the University of approximately £0.8m per annum. We have provided for the current expected increases to contributions (prior to the 2020 valuation exercise) within the budget approved by Court in November 2020.

Outlook

The Covid-19 outbreak will result in significant financial stress for many HE institutions including Aberdeen. The pandemic adds to the challenges that the sector currently faces, including a continuation of real term cuts to government funding, increased competition within overseas markets, higher pension contributions and the continuing uncertainty surrounding Brexit. We are actively managing our finances to ensure that we remain in a sustainable position.

The University has been making steady progress in terms of financial stability over the past few years. Changes to both academic and professional services structures along with a continual review of expenditure have been undertaken. We have also worked hard on enhancing our international profile, including the opening of our campus in Qatar, an increase in the number of international teaching collaborations and impressive growth in international student numbers to help ensure that the University would return an underlying surplus on an ongoing basis. The planned improvements to our King's College campus, the construction of our Science Teaching Hub and other measures taken to attract further students to Aberdeen, were also making significant progress.

As with many other HE institutions, Aberdeen continues to face a challenging and an uncertain financial environment. However, the Covid-19 outbreak in early 2020 and the subsequent global changes to the ways that individuals live their lives, is the biggest challenge that the sector has faced in a generation.

Court has previously discussed the fine balance between maintaining a core base to meet the upcoming challenges and our duty to safeguard the ongoing financial operations and going concern obligations of the University. In considering this, several key principles have been identified which inform our approach to financial planning.

- It was imperative that we maintained the staffing base over the summer of 2020 to provide a quality blended learning experience for the new and returning students when teaching resumed
- Any further savings required post the September intake, must be made in a way that allows the University to remain competitive in a changing market
- Our aim will be to achieve a positive operating cash balance at each year end
- Our aim will be not to take on any new borrowing, but refinancing of existing loans will be considered to support cash flow

- We will always aim use the private placement financing for capital expenditure, with a priority for projects that deliver a positive financial return

With the above principles in mind, discussions have already taken place with our bankers and existing lenders regarding the options available.

The wellbeing of our staff and students, the provision of high quality education, protecting our financial sustainability and maintaining a positive cash balance, have been at the forefront of our thoughts since the gravity of the outbreak became apparent. For financial year 2019/20, we were able to mitigate reductions in income and protect our operating cash balance, however financial year 2020/21 is a different proposition. As many students were unable to return to campus in September as planned, our methods of teaching have changed dramatically, with blended learning being the norm, where delivery is largely on-line, supplemented by on campus learning where applicable.

Due to the uncertainty arising from the pandemic, a range of budgets were prepared for financial year 2020/21 and beyond, with scenarios from activities returning towards normality in September, through to there being limited activity on campus for most of the academic year. Our likely scenario predicted a deficit of approximately £25m, with a range of deficits between approximately £16m and £35m.

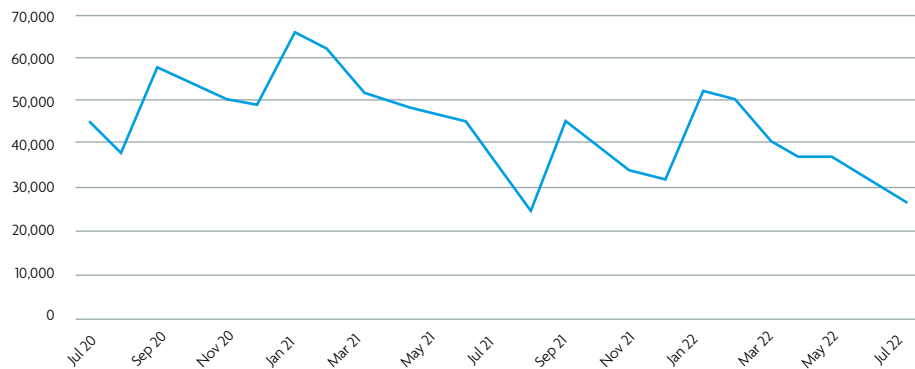
Revised Forecast for 2020/21

Following the September intake of students, an exercise was undertaken to reforecast the income projections for 2020/21 and to prepare high level estimates for two further years. In addition, the forecasts were prepared assuming a freeze on salaries for 2020/21, no promotions and continued tight control allowing for essential spend only for both capital and operating expenditure.

Despite the challenges faced, our student numbers have held up remarkably well and are similar to those of the previous academic year. This strong student intake has resulted in forecast tuition fees that are marginally ahead of 2019/20 levels, although this does rely on a positive January intake onto our postgraduate programmes. However, as not all students have physically returned to campus and many staff members continue to work from home there are shortfalls within accommodation and catering income, as well as reduced levels of research awards and other services will have financial implications for the University. Additional research funding was provided by the SFC and the University of Aberdeen Development Trust has provided further support, to mitigate against this shortfall.

This reforecast estimates that the University will return an underlying deficit of £3.1m for 2020/21 and that this deficit will increase to approximately £6m in 2022, with the aim of returning to a break even position in 2022/23. In turn, our operating cash balance is forecast to be £35m as at 31 July 2021. The University Court considered and approved this revised forecast at its meeting in November.

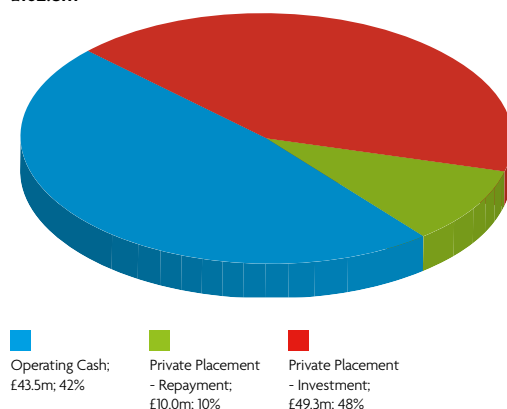
**Operating Cash Forecast
August 2020 - July 2022
£000**



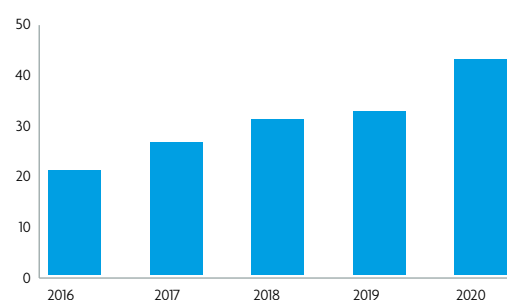
The reforecasting exercise included a sensitivity analysis that stress tests the material components of our finances, including tuition fees, SFC funding, student accommodation and staffing costs. The worst case scenario for both financial years 2021 and 2022 results in our operating cash balance being at its lowest point in July 2022 at approximately £15m. Financial covenants for financial year 2020/21 were met in all cases with stress tests providing sufficient comfort that meet all going concern requirements. We will continue to monitor actual performance, for example our second semester intake against the latest forecast and undertake any mitigating actions and consider making a request to amend our covenant tests if required.

This analysis does not consider the £60m of funding received from the private placement, of which around £0.6m has been spent to date. Whilst these funds are ring-fenced for planned capital investment and loan repayment, discussions with advisors have confirmed that the use of funds is not restricted. Court has approved that the £10m set aside to repay the loan repayment due in September 2021 may be used to support 2020/21 working capital requirements and that this may be refinanced if required. In addition, Court reaffirmed that the remaining £50m will continue to be used

Cash & Deposits Analysis at 31 July 2020 £102.8m



Operating Cash (£m)



for capital investment unless otherwise agreed by Court.

Based on our reforecast, whilst it is clear that the University operational cash reserves are affected by the Covid-19 pandemic, we are in a position that the funds raised via the private placement remain intact. Although Court has agreed we can refinance the £10m set aside for repayment of the loan in September 2021, given that our forecast operational cash balance position remains strong, we are forecasting this will not be necessary. The University is confident, that due to the improved forecast position, we can demonstrate that we are in a position to meet our financial covenants and have sufficient operating cash balances to be considered as a going concern for at least 12 months from the date of approval of the financial statements.

Looking further ahead, given the expected increase to our USS pension deficit there is likely to be pressure on the gearing covenant test and we are mindful that in future this may require discussions with our lenders in order to resolve this in a manner that is acceptable to all parties.

Future Plans

Although student numbers have remained resilient, income will take a number of years to achieve our pre Covid-19 expectations. Long lasting changes to how teaching is provided are likely, and it may be that teaching via on-line provision or blended learning becomes the norm. The University will have less cash to invest in the short-term, but at the same time it must ensure that it has the staff and facilities available to provide high quality services when the recovery commences. The plans to enhance our King's College campus, discussed in last year's annual report that were on hold, were given approval to resume by Court in November.

Our 2040 strategy was launched at our 525 anniversary celebrations in February 2020, and whilst developed prior to the Coronavirus outbreak, the commitments embedded within the strategy remain relevant. Aberdeen, along with many universities, is facing unprecedented challenges. The work around financial sustainability in the last few years has meant that our financial position is strong. This, along with the more recent difficult decisions taken due to the outbreak, and continued planning and forecasting will help to ensure that these commitments are met over the next 20 years and beyond.

Independent auditor's report to the Court of the University of Aberdeen

REPORT OF THE AUDITOR ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of University Of Aberdeen ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The University Court of The University of Aberdeen has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the University Court's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The University Court of The University of Aberdeen is responsible for the other information, which comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the University has not kept adequate and proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

The University Court's responsibilities

As explained more fully in their statement set out on pages 23-25, the University Court of The University of Aberdeen is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities

Report on other legal and regulatory matters

We are required under the terms of our engagement to report on the following matters.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other terms and conditions attached to them;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum with Higher Education Institutions.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the University Court of The University of Aberdeen in accordance with paragraph 12 of the Universities (Scotland) Act 1966, and, in the University Court's role as charity trustees, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court of The University of Aberdeen those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and The University Court of The University of Aberdeen University for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

319 St Vincent Street
Glasgow
G2 5AS

24 February 2021

Statement of primary responsibilities of Court in respect of the annual report and the financial statements

The Court is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

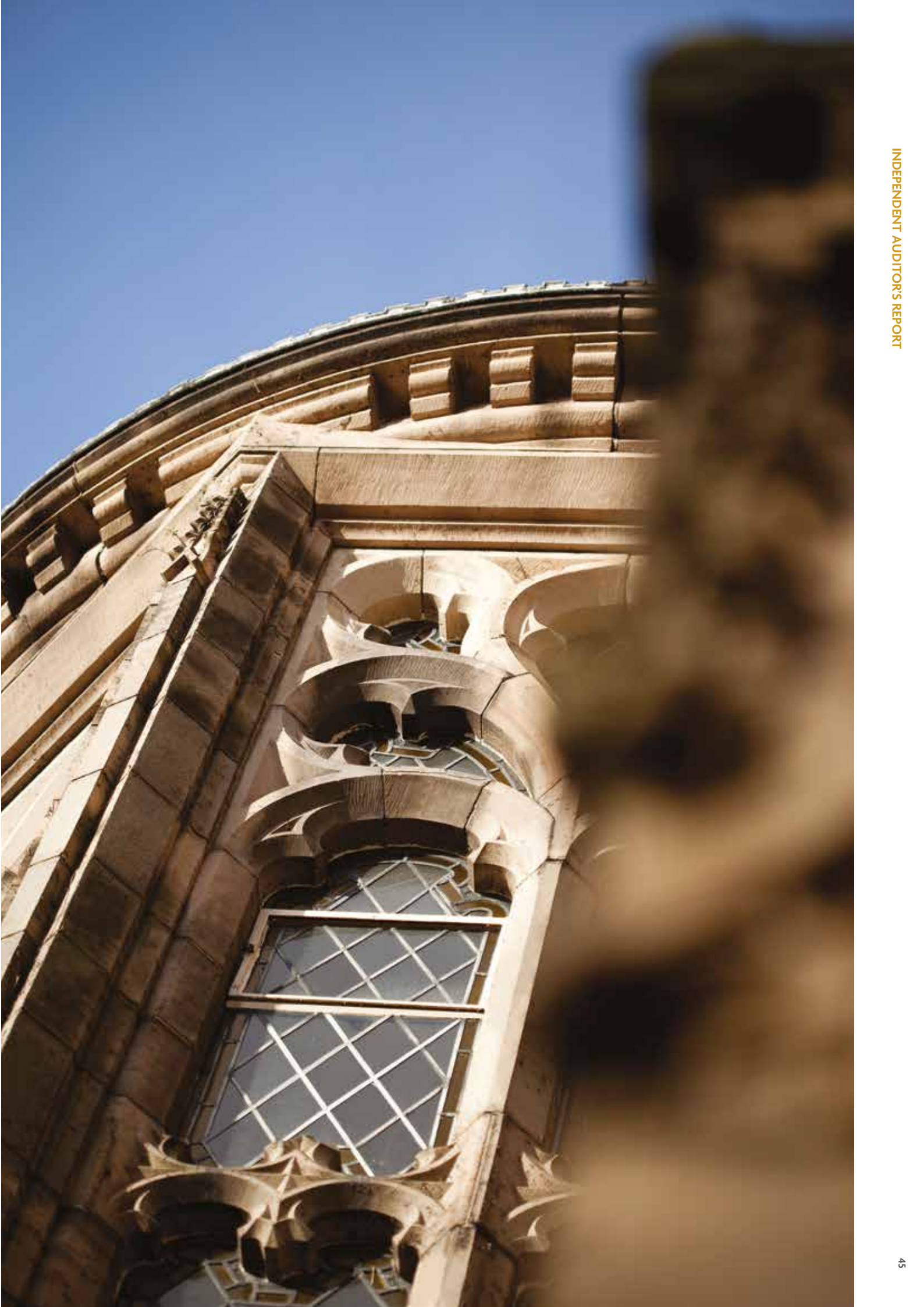
The Court is required to prepare financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Financial Memorandum with Higher Education Institutions issued by the Scottish Funding Council.

The group and University's financial statements are required by law to give a true and fair view of the state of affairs of the group and the University and of the group's excess of expenditure over income for that period. In preparing these financial statements, the Court is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the University or to cease operations, or have no realistic alternative but to do so.

The Court is responsible for keeping adequate and proper accounting records that are sufficient to show and explain the group and University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.





FINANCIAL STATEMENTS

Statement of Comprehensive Income and Expenditure
Year ended 31 July 2020

		Consolidated	University	Consolidated	University
		2020	2020	2019	2019
	Note	£000	£000	£000	£000
Income					
Tuition fees and educational contracts	1	72,574	72,574	62,613	62,613
Funding body grants	2	77,279	77,279	77,618	77,618
Research grants and contracts	3	49,281	49,281	54,210	54,210
Other income	4	31,764	31,764	31,482	31,482
Endowment and investment income	5	2,415	2,403	1,975	1,971
Endowments and donations	6	458	4,458	596	596
Total income		233,771	237,759	228,494	228,490
Expenditure					
Staff costs – excluding movements in pension provisions	7	145,034	145,034	136,565	136,565
Movement in pension provisions	7	(29,648)	(29,648)	42,561	42,561
Total staff costs	7	115,386	115,386	179,126	179,126
Other operating expenses	8	60,852	60,559	70,914	70,635
Depreciation	9	17,055	17,055	18,837	18,837
Interest and other finance costs	10	6,691	6,691	3,774	3,774
Total expenditure	11	199,984	199,691	272,651	272,372
Surplus/(deficit) before other gains/(losses) and share of operating surplus/(deficit) of joint venture		33,787	38,068	(44,157)	(43,882)
Gain on disposal of fixed assets	12	2,842	-	86	33
Unrealised (loss) on revaluation of investment properties	13	(1,978)	(1,728)	(1,581)	(1,180)
Gain/(loss) on non-current investments	14	94	(574)	1,368	973
Share of operational deficit in joint venture	15	(510)	-	(374)	-
Surplus/(deficit) before tax		34,235	35,766	(44,658)	(44,056)
Taxation		-	-	-	-
Surplus/(deficit) before tax		34,235	35,766	(44,658)	(44,056)
Actuarial (loss) in respect of pension schemes - University	21a	(14,992)	(14,992)	(9,407)	(9,407)
Actuarial (loss) in respect of pension schemes - joint venture	15	(178)	-	-	-
Total comprehensive income/(deficit) for the year		19,065	20,774	(54,065)	(53,463)
Total comprehensive income/(deficit) for the year					
Endowment comprehensive (deficit)/income for the year		(15)	(15)	2,267	2,267
Unrestricted comprehensive income/(deficit) for the year		19,080	20,789	(56,332)	(55,730)
Total comprehensive income/(deficit) for the year		19,065	20,774	(54,065)	(53,463)

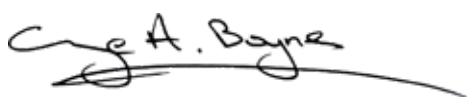
Consolidated and University Statement of Changes in Reserves
Year ended 31 July 2020

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£000	£000	£000	£000
Balance at 1 August 2018	49,688	156,916	183,072	389,676
Surplus/(deficit) from the income and expenditure statement	2,267	(46,925)	-	(44,658)
Other comprehensive (deficit)	-	(9,407)	-	(9,407)
Transfers between revaluation and income and expenditure reserves	-	5,493	(5,493)	-
Total comprehensive income/(deficit) for the year	2,267	(50,839)	(5,493)	(54,065)
Balance at 1 August 2019	51,955	106,077	177,579	335,611
(Deficit)/income from the income and expenditure statement	(15)	34,250	-	34,235
Other comprehensive (deficit)	-	(15,170)	-	(15,170)
Transfers between income and expenditure reserves	-	2,544	(2,544)	-
Total comprehensive (deficit)/income for the year	(15)	21,624	(2,544)	19,065
Balance at 31 July 2020	51,940	127,701	175,035	354,676
University				
Balance at 1 August 2018	49,688	149,711	180,531	379,930
Income/(deficit) from the income and expenditure statement	2,267	(46,323)	-	(44,056)
Other comprehensive (deficit)	-	(9,407)	-	(9,407)
Transfers between revaluation and income and expenditure reserves	-	4,896	(4,896)	-
Total comprehensive income/(deficit) for the year	2,267	(50,834)	(4,896)	(53,463)
Balance at 1 August 2019	51,955	98,877	175,635	326,467
(Deficit)/income from the income and expenditure statement	(15)	35,781	-	35,766
Other comprehensive (deficit)	-	(14,992)	-	(14,992)
Transfers between revaluation and income and expenditure reserves	-	1,681	(1,681)	-
Total comprehensive (deficit)/income for the year	(15)	22,470	(1,681)	20,774
Balance at 31 July 2020	51,940	121,347	173,954	347,241

Balance Sheets as at 31 July 2020

	Note	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Non-current assets					
Tangible assets	13	491,196	490,115	489,314	488,191
Heritage assets	13	277	277	277	277
Intangible assets	13	3,546	3,546	3,607	3,607
Investment properties	13	31,737	28,661	34,887	30,352
Non-current investments	14	54,063	70,933	108,978	126,395
Investment in joint venture	15	16,871	-	17,438	-
		597,690	593,532	654,501	648,822
Current assets					
Stock	16	252	252	233	233
Trade and other receivables	17	21,557	19,143	19,656	17,687
Investments	18	55,000	55,000	5,000	5,000
Cash and cash equivalents	23	47,824	46,923	35,704	34,184
		124,633	121,318	60,593	57,104
Less: Creditors: amounts falling due within one year	19	63,692	63,654	63,829	63,805
Net current assets/(liabilities)		60,941	57,664	(3,236)	(6,701)
Total assets less current liabilities					
		658,631	651,196	651,265	642,121
Less: Creditors: amounts falling due after more than one year	20	221,490	221,490	218,866	218,866
Provisions					
Pension provisions	21a	81,942	81,942	94,676	94,676
Other provisions	21b	523	523	2,112	2,112
		82,465	82,465	96,788	96,788
Total net assets					
		354,676	347,241	335,611	326,467
Restricted reserves					
Income and expenditure reserve – endowment reserve	22	51,940	51,940	51,955	51,955
Unrestricted reserves					
Income and expenditure reserve		127,701	121,347	106,077	98,877
Revaluation reserve		175,035	173,954	177,579	175,635
Total funds		354,676	347,241	335,611	326,467

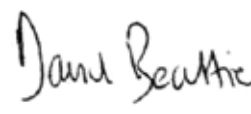
The Accounts set out on pages 47 to 79 were approved by the University Court on 23 February 2021 and signed on its behalf by:



Professor George Boyne MA, MLitt, PhD, AcSS
Principal and Vice-Chancellor



Professor Nuala Booth PhD FRSE
Interim Senior Governor of the University Court



David Beattie MA, CPFA
Director of Finance

Consolidated Cash Flow Statement
Year ended 31 July 2020

	Note	2020 £000	2019 £000
Cash flow from operating activities			
Surplus/(deficit) for the year		34,235	(44,658)
Adjustments for non-cash items			
Depreciation	9 & 13	17,055	18,837
Impairment of fixed assets	13	-	119
(Gain) on investments	14	(94)	(1,368)
(Increase) in stock		(19)	(92)
(Increase)/decrease in debtors		(1,488)	482
(Decrease)/increase in creditors and other provisions		(1,940)	1,407
(Decrease)/increase provisions (excluding actuarial gain or loss)		(27,726)	43,595
Unrealised deficit on revaluation of investment properties	13	1,978	1,581
Share of operating deficit in joint venture	15	510	374
Adjustments for investing or financing activities			
Investment income	5	(2,415)	(1,975)
Interest payable	10	5,059	2,870
Endowment income	6 & 22	(79)	(377)
Capital grants received/released during the year		(4,530)	(4,466)
Profit on sale of fixed assets	12	(2,842)	(86)
Net cash inflow from operating activities		17,704	16,243
Cash flows from investing activities			
Proceeds from sales of fixed assets		3,680	1,875
Capital grant receipts		3,497	4,136
Disposal of non-current investments	14	30,490	-
Additions to deposits		-	(60,000)
Investment income	5	2,415	1,975
Payments made to acquire fixed assets		(18,370)	(13,346)
New non-current asset investments	14	(25,601)	(1,309)
		(3,889)	(66,669)
Cash flows from financing activities			
Interest paid	10	(3,215)	(1,751)
Interest element of finance lease and service concession payments	10	(1,844)	(1,119)
Endowment cash received	6 & 22	79	377
Repayments of amounts borrowed		(71)	-
New unsecured loans and leases	20	4,000	60,613
Capital element of finance lease and service concession payments		(644)	(3,340)
		(1,695)	54,780
Increase in cash and cash equivalents in the year		12,120	4,354
Cash and cash equivalents at beginning of the year	23	35,704	31,350
Cash and cash equivalents at end of the year	23	47,824	35,704
Movement in cash and cash equivalents		12,120	4,354



STATEMENT
OF PRINCIPAL ACCOUNTING
POLICIES AND ESTIMATION
TECHNIQUES

Basis of preparation

a. Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019) and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. Charities registered with the Office of the Scottish Charity Regulator (“OSCR”) fall within the statutory remit of the Charities and Trustee Investment (Scotland) Act 2005 and, in respect of financial statements preparation, the Charities Accounts (Scotland) Regulations 2006 (as amended). Regulation 14 of the 2006 Regulations allows universities to prepare their financial statements in accordance with the SORP.

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of investment properties, endowment investments and equity investments).

The functional currency of the group is sterling and all amounts have been presented to the nearest thousand pounds.

b. Going concern

The Group and parent University’s activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial Review which forms part of the University Court’s Report. The University Court’s Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the University Court consider to be appropriate for the following reasons.

University Court has reviewed cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts the University Court is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the University of Aberdeen group will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The University Group generated a surplus after tax in 2019/20 of £34.0m following a deficit of £44.6m in the previous financial year. However, surplus generation alone does not ensure the going concern status of an organisation. The critical factor that management of the University have used to determine the going concern status of the University is whether it can generate cash and maintain sufficient working capital balances. In 2019/20 the University’s net operating cash inflow was £12.1m. In addition, the University has a balance sheet with a non-current asset of £597.7 million, net current assets of £60.9m including a cash balance of £47.8m at the statement of financial position date.

The University’s forecasts and projections to 2021/22, taking account of future developments and reasonable sensitivities in relation to the key risks, indicate that the University will deliver an accounting deficit and a net cash outflow in 2020/21.

The financial scenario planning and stress testing undertaken by the University indicates that there are large external uncertainties which may need to be addressed in the near future: in particular, the continuing uncertainty posed by Covid-19, Brexit, and the stability of the Universities Superannuation Scheme. In the face of the unprecedented series of large uncertainties, the University has adopted a financially cautious stance. The solvency position is strong and cash reserves are available, if required, to undertake material restructuring in response to the resolution of these uncertainties.

The University considers that it will remain compliant with lender covenants during the period. Consequently, the University Court is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c. Critical accounting judgments and estimates

The preparation of financial statements requires management to make judgments and adopt estimates that affect the financial statements during the reporting period.

Critical accounting judgments include the evaluation of the Universities Superannuation Scheme (USS) as a multi-employer scheme. The University has judged that the USS meets the definition of a multi-employer scheme for the

reasons set out in the accounting policy for pension schemes below. The University has also determined that in the calculation of the USS year end provision at 31 July 2020, the schedule of contributions from the 2018 valuation should be used. Further disclosure has been included in notes 21a and 28 to the financial statements in respect of this judgment.

In the preparation of the consolidated financial statements, management has made estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. Actual results could differ from these estimates. Estimates are used principally when determining economic and mortality valuation assumptions for defined benefit pension scheme liabilities and in accounting for the carrying value of tangible fixed assets, by way of depreciation and impairment, and accounting for the fair value of investment properties, by way of annual revaluation (note 13). Estimate is also required in respect of other provisions, disclosed in note 21b.

d. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the year to 31 July 2020. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. A list of subsidiary undertakings is included in note 30. The consolidated financial statements do not include the income and expenditure of Aberdeen University Students' Association or the University of Aberdeen Development Trust as the University does not exert control or dominant influence over policy decisions of these organisations. Associated companies and joint ventures are accounted for using the equity method.

Income recognition

a. Grant funding

Government revenue grants including Scottish Funding Council block grants and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

b. Donations and endowments

Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when the University is entitled to the funds. Investment income and appreciation of endowments are recorded in income for the year for which they arise and are either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

c. Tuition fee income

Fee income is stated gross of any expenditure which is not a discount or a fee waiver and is credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment or by a fee waiver, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

d. Other income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis. Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

e. Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised within income when the University is entitled to the funds subject to any performance related conditions being met.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, for example annual leave, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Finance leases

Leases where the University substantially assumes all the risks and rewards of ownership of the leased asset are classified as finance leases with the asset recognised in the balance sheet. Leased assets acquired by way of finance leases and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the start of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to depreciated replacement cost on or prior to the date of transition to the SORP are measured on the basis of deemed cost, being the revalued amount at the date of transition. A revaluation reserve remains disclosed as a separate component of unrestricted reserves. The difference between historic cost depreciation and depreciation based on revalued deemed cost is transferred from the revaluation reserve to the income and expenditure reserve in each reporting period.

a. Land and buildings

Land and buildings are stated at cost or deemed cost for those acquired prior to transition to the SORP. Subsequent capital expenditure is recorded at cost. Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit in the Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued annually according to market conditions at 31 July each year.

The University performs impairment reviews of assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

Costs incurred in relation to a tangible fixed asset after its initial purchase or construction are capitalised to the extent that they increase the

expected future benefits to the University. The cost of any such enhancement is added to the gross carrying amount of the tangible fixed asset concerned.

b. Equipment

Equipment, including computers and furniture costing less than £20,000 per individual item or group of related items, is written off in the year of purchase. All other items are capitalised. Assets acquired under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as a liability.

c. Depreciation

Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the University, normally between 30 and 75 years. Where material, a depreciable asset's anticipated useful life is reviewed annually and the accumulated and future depreciation charges are adjusted. Depreciation on tangible fixed assets in the course of construction is only provided when the assets are first brought into operational use. No depreciation is provided for on investment properties.

Depreciation is provided on the value of equipment, including IT equipment on a straight line basis, normally between 2 – 10 years.

d. Heritage assets

The University holds a number of collections, exhibits, artefacts, and other assets of historical, artistic or scientific importance. Heritage assets acquired before 31 July 2011 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions from 1 August 2011 are capitalised at cost or, in the case of donated assets, will be valued where the cost of obtaining value is not greater than the benefit to the user of the financial statements. In line with the accounting policy in respect of equipment, the threshold for capitalising heritage assets is £20,000. Heritage assets that are irreplaceable originals and for which no reliable value can be attributed, will not be capitalised. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

e. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income and Expenditure in the period in which it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

f. Intangible assets

Intangible assets (i.e. computer software) are amortised over their remaining useful economic life, not exceeding 15 years.

Investments

Listed investments, including spin out companies that the University has an interest in, held as fixed assets or endowment assets are shown at market value with movements recognised in the surplus or deficit. Investments in subsidiary undertakings are shown at cost and investments in joint ventures are shown in the consolidated Balance Sheet as the attributable share of net assets. The University's share of any surplus or deficit in respect of Joint Ventures is recognised in the Statement of Comprehensive Income and Expenditure. Other investments include term-deposits with a maturity date of more than 12 months from the balance sheet date.

Stock

Stock, including work in progress, is valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

Research and development

Research and development costs incurred by the University on its own behalf are written off in the year incurred with the exception of any equipment or software that is capitalised in line with the University's accounting policy.

Taxation

The University is an exempt charity within the meaning of Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities by the Office of the Scottish Charity Regulator. It is, therefore, a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation

Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT in respect of tangible fixed assets is included in their cost.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Foreign currency

Foreign currency transactions are recorded at the rate of exchange at the dates of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at financial year end rates. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligations. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, where the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to reliably measure the possible economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present asset arising from a past event.

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the University's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the surplus or deficit except hedging instruments in a designated hedging relationship.

Pension schemes

The principal schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). Each scheme is or includes a defined benefit plan which is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

a. Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

b. Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans, net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds which match the currency and approximate to the duration of the pension liabilities. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds.

c. Multi-employer scheme

The defined benefit section of the USS is a multi-employer scheme. The assets are not attributed to individual employers and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other employers and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102, "Employee benefits", the University therefore accounts for the USS defined benefit scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure represents contributions payable to the scheme. The University recognises an immediate expense and provision liability for the present value of contributions which are payable that arise from deficit funding obligations.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

1. Tuition fees and educational contracts

2020
£000

2019
£000

Consolidated and University		
Scottish fees	15,109	14,616
EU fees	5,240	5,211
RUK fees	8,358	8,594
Non-EU fees	41,482	32,040
Non-credit bearing course fees	2,160	1,966
Other contracts	225	186
	72,574	62,613

2. Funding body grants

Consolidated and University		
SFC general funding - teaching	47,274	46,983
SFC general funding - research	22,436	23,277
Strategic research development grant	3,127	2,905
Capital grants released from deferred income	4,023	4,129
Other SFC grants	419	324
	77,279	77,618

3. Research grants and contracts

Consolidated and University		
Research councils	8,713	10,436
UK based charities	7,355	9,623
UK central and local government, health and hospital authorities	17,150	17,914
UK industry, commerce and public corporations	4,874	3,583
EU government bodies	3,092	3,704
EU other	991	782
Other overseas	6,814	7,752
Other sources	292	416
	49,281	54,210

Research grants and contracts income includes the following significant grants (over £500,000):

Funding body	Project title	£000
RESAS	RESAS main programme	6,651
Wista Laboratories Ltd	Alzheimer's research project	4,367
OGTC Ltd	National Decommissioning Centre	1,980
National Institute for Health Research	Technology assessment reviews	696
Chief Scientist's Office	HSRU core grant	560
Scottish Government	HERU core grant	547
Scottish Government	Strategic Marine Mammal Monitoring Programme for the Moray Firth	536

4. Other income

	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Residences, catering and conferences	10,703	10,703	12,148	12,148
Consultancy	4,265	4,265	5,105	5,105
Health authorities	7,211	7,211	6,153	6,153
VAT recovery	436	436	539	539
Other grants	6,982	6,982	7,483	7,483
Capital grants received/released	59	59	54	54
Income from Coronavirus Job Retention Scheme	2,108	2,108	-	-
	31,764	31,764	31,482	31,482

5. Investment income

Investment income from endowments (note 22)	1,209	1,209	1,496	1,496
Other investment income	1,206	1,194	479	475
	2,415	2,403	1,975	1,971

6. Donations and endowments

New endowments (note 22)	79	79	377	377
Donations with restrictions	379	4,379	219	219
	458	4,458	596	596

7. Staff costs

	2020 £000	2019 £000
Consolidated and University		
Salaries	112,921	107,511
Social security costs	11,034	10,642
Movement on pension provisions (note 21a)	(29,648)	42,561
Other pension costs	21,079	18,412
	115,386	179,126

Emoluments of the Principal and Vice-Chancellor – Professor George Boyne

Salary	255	250
Living allowance	20	-
Pension contributions to USS	5	5
Sub-total	280	255
Benefit in kind – accommodation and associated costs	16	20
Total	296	275

The Principal is required to reside in University-provided accommodation as the University regards this as essential for the fulfilment of his duties. The living allowance was introduced on the removal of the customary tax exemption for the provision of accommodation by HM Revenue & Customs. Following the removal of the exemption the Principal contributes £12,000 p.a. towards accommodation costs that results in a net benefit in kind of £16,000.

The remuneration (comprising of salary, living allowance and pension contributions) of the Principal, Professor George Boyne, in the financial year was £280,000 (2019: £255,000). This was 6.6 times (2019: 6.4 times) the median remuneration of the workforce which was £42,146 (2019: £39,673).

Staff costs for key management personnel excluding employer's pension contribution	1,008	925
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Key management personnel are the University's Senior Management Team, comprising of the Senior Vice Principal, Vice Principals, Secretary to the University, Director of Finance and Director of People. The University of Aberdeen Development Trust's Executive Director of Advancement also attends SMT meetings in order to provide support in relation to our fundraising and development activities. Salary costs for the Executive Director of Advancement are met by the University of Aberdeen Development Trust and are not included within the above costs.

7. Staff costs - continued

Compensation for loss of office payable to senior post holders:	2020		2019	
	Number	£000	Number	£000
Number of payments in excess of £100,000 during the year	1	136	-	-
Compensation arrangements for members of staff earning in excess of £100,000	2	219	1	53

Remuneration of other higher paid staff	2020	2019
	Number	Number
£100,000 - £109,999	24	14
£110,000 - £119,999	24	23
£120,000 - £129,999	11	9
£130,000 - £139,999	6	5
£140,000 - £149,999	2	5
£150,000 - £159,999	3	1
£170,000 - £179,999	1	-

Average staff numbers by activity - full time equivalent basis

Academic departments	1,126	1,096
Academic services	311	284
Administration and central services	383	368
Premises	193	193
Residences, catering and conferences	109	118
Research grants and contracts	387	417
Other expenses	124	114
	2,633	2,590

Staff costs by activity – Consolidated and University	2020	2019
	£000	£000
Academic departments	70,262	65,606
Academic services	14,235	12,721
Administration and central services	18,373	17,087
Premises	6,346	6,206
Residences, catering and conferences	3,442	3,528
Research grants and contracts	23,379	23,804
Other expenses	8,997	7,613
Pension cost adjustments	(29,648)	42,561
	115,386	179,126

8. Other operating expenses by activity

	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Academic departments	13,429	13,429	13,996	13,996
Academic services	6,260	6,260	7,453	7,453
Administration and central services	9,339	9,339	9,653	9,653
Premises	8,954	8,954	10,408	10,408
Residences, catering and conferences	4,237	4,237	5,952	5,952
Research grants and contracts	13,070	13,070	17,338	17,338
Other expenses	5,563	5,270	6,114	5,835
	60,852	60,559	70,914	70,635

Other operating expenses (including VAT) include:

External auditor's remuneration in respect of audit services	72	69	72	69
External auditor's remuneration in respect of non-audit services	25	25	15	15
Internal auditor's remuneration in respect of audit services	166	166	99	99
Internal auditor's remuneration in respect of non-audit services	99	99	-	-

Following a competitive tender process, PWC were reappointed as internal auditors on a revised commercial basis during the year. Internal auditor remuneration for non-audit services is in respect of tax advice for the establishment of overseas collaborations and other specialist matters.

9. Depreciation by activity

Academic departments	1,796	1,796	2,224	2,224
Academic services	3,540	3,540	3,493	3,493
Administration and central services	52	52	63	63
Premises	8,413	8,413	9,092	9,092
Residences, catering and conferences	2,545	2,545	3,280	3,280
Research grants and contracts	526	526	506	506
Other expenses	183	183	179	179
	17,055	17,055	18,837	18,837

10. Interest and other finance costs

Loan interest	3,215	3,215	1,751	1,751
Finance leases	1,844	1,844	1,119	1,119
Net interest on defined benefit pension schemes (note 21a)	1,632	1,632	904	904
	6,691	6,691	3,774	3,774

Increased loan interest charges reflect the first full year of the private placement interest costs.

11. Analysis of total expenditure by activity

	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Academic departments	85,487	85,487	81,826	81,826
Academic services	24,035	24,035	23,667	23,667
Administration and central services	27,764	27,764	26,803	26,803
Premises	26,928	26,928	27,457	27,457
Residences, catering and conferences	12,068	12,068	13,879	13,879
Research grants and contracts	36,975	36,975	41,648	41,648
Other expenses	16,375	16,082	14,810	14,531
Movement on pension provisions	(29,648)	(29,648)	42,561	42,561
	199,984	199,691	272,651	272,372

12. Disposal of fixed assets

	2,842	-	86	33
Gain on disposal of fixed assets				

The gain is in respect of the disposal of surplus investment properties and land (the 2019 gain was in respect of the disposal of surplus investment properties).

13. Fixed assets - Non-current assets - Consolidated

	Freehold Land and Buildings £000	Assets in Course of Construction £000	Investment Properties £000	Heritage Assets £000	Fixtures, Fitting and Equipment £000	Intangible Assets £000	Total £000
Cost or Valuation							
At 1 August 2019	539,218	3,948	34,887	277	56,382	7,143	641,855
Additions	2,640	10,674	37	-	5,303	301	18,955
Reclassification	1,323	(1,323)	-	-	-	-	-
Revaluation	-	-	(1,978)	-	-	-	(1,978)
Disposals	(42)	-	(1,209)	-	(2,007)	-	(3,258)
At 31 July 2020	543,139	13,299	31,737	277	59,678	7,444	655,574
Depreciation							
At 1 August 2019	67,271	-	-	-	42,963	3,536	113,770
Charge for the year	11,618	-	-	-	5,075	362	17,055
Eliminated on disposals	-	-	-	-	(2,007)	-	(2,007)
At 31 July 2020	78,889	-	-	-	46,031	3,898	128,818
Net book value							
At 31 July 2020	464,250	13,299	31,737	277	13,647	3,546	526,756
At 31 July 2019	471,947	3,948	34,887	277	13,419	3,607	528,085

13. Fixed assets - Non-current assets - University

	Freehold Land and Buildings	Assets in Course of Construction	Investment Properties	Heritage Assets	Fixtures, Fitting and Equipment	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 August 2019	538,037	3,948	30,352	277	56,382	7,143	636,139
Additions	2,640	10,674	37	-	5,303	301	18,955
Reclassification	1,323	(1,323)	-	-	-	-	-
Revaluation	-	-	(1,728)	-	-	-	(1,728)
Disposals	-	-	-	-	(2,007)	-	(2,007)
At 31 July 2020	542,000	13,299	28,661	277	59,678	7,444	651,359
Depreciation							
At 1 August 2019	67,213	-	-	-	42,963	3,536	113,712
Charge for the year	11,618	-	-	-	5,075	362	17,055
Eliminated on disposals	-	-	-	-	(2,007)	-	(2,007)
At 31 July 2019	78,831	-	-	-	46,031	3,898	128,760
Net book value							
At 31 July 2020	463,169	13,299	28,661	277	13,647	3,546	522,599
At 31 July 2019	470,824	3,948	30,352	277	13,419	3,607	522,427

As part of the transition to FRS102, the University chose to no longer revalue land and buildings and to use the 31 July 2014 valuation figures as the deemed cost of assets. The 2014 valuation was performed by Mr A Donaldson BLE, MRICS, Director of Estates, University of Aberdeen. The basis of valuation is depreciated replacement cost as set out in the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance Notes. The 31 July 2014 valuation was externally reviewed by J & E Shepherd, Chartered Surveyors.

The University owns academic, academic related and recreational buildings which are located in Old Aberdeen, at Foresterhill, part of Marischal College and various Halls of Residence complexes. Part of the Hillhead Halls of residence complex is held under a finance lease, the net book value of assets held under finance leases by the University is £23.3m (2019: £24.2m).

Consolidated and University fixed assets net book value at 31 July 2020 respectively include £31.7m (2019: £34.9m) and £28.7m (2019: £30.4m) in respect of investment properties that are required to be revalued on an annual basis. This was carried out on 31 July 2020 and was performed by Mr A Donaldson BLE, MRICS, Director of Estates, University of Aberdeen.

Should any land and buildings financed by exchequer funds be sold, the University may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to repay the proceeds.

The net book value of fixed assets is analysed between:

	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Tangible assets	491,196	490,115	489,314	488,191
Heritage assets	277	277	277	277
Intangible assets	3,546	3,546	3,607	3,607
Investment properties	31,737	28,661	34,887	30,352
	526,756	522,599	528,085	522,427

14. Non-current investments

	Endowments £000	Spin-Outs £000	Pensions £000	Other £000	Total £000
Consolidated					
At 1 August 2019	48,914	1,082	3,141	55,841	108,978
Additions	23,579	-	1,790	111	25,480
Disposals/reclassification	(23,390)	-	(1,791)	(55,000)	(80,181)
(Depreciation)/appreciation	(209)	(27)	22	-	(214)
At 31 July 2020	48,894	1,055	3,162	952	54,063

	Endowments £000	Spin-Outs £000	Pensions £000	Other £000	Total £000
University					
At 1 August 2019	48,914	1,082	3,141	73,258	126,395
Additions	23,579	-	1,790	232	25,601
Disposals/reclassification	(23,390)	-	(1,791)	(55,000)	(80,181)
Impairment	-	-	-	(668)	(668)
(Depreciation)/appreciation	(209)	(27)	22	-	(214)
At 31 July 2020	48,894	1,055	3,162	17,822	70,933

Endowment additions and disposals reflect the restructure of our portfolio following the implementation of our revised investment strategy as approved by the Investment Committee. The reduction in other investments is due to the reclassification of term deposits to current investments as these near maturity.

	Consolidated £000	University £000
Other non-current investments consist of:		
Aberdeen Sports Village Ltd (Joint Venture)	-	16,870
CVCP Properties	43	43
Epidarex Capital	909	909
	952	17,822

The Group's subsidiary undertakings are listed in note 30.

The Group has participating interests in spin out entities which exceed 20% of voting rights (at cost), however there is no board control over the entities and significant influence is not exerted over the operating and financial policies. As a result, the investees are free to implement policies that are inconsistent with the investor's strategy. The substance of the relationship between the investor and investee is that of a fixed asset investment with a view to a trade sale in the medium term. Therefore, these investments are disclosed as fixed asset investments and are not accounted for as equity.

The total value of endowments, spin outs and pension non-current assets carried at fair value in the consolidated balance sheet is £53.1m (2019: £53.1m)

15. Investment in joint venture

The University holds a 50% share of Aberdeen Sports Village Limited, a company limited by guarantee and registered as a charity. The company provides premier sporting facilities to our students and the wider community, including the Aquatics Centre with an Olympic standard swimming pool. This is a joint venture company owned equally by the University and Aberdeen City Council. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the Statement of Comprehensive Income.

	2020 £000	2019 £000
Consolidated		
Income and expenditure account		
Deficit before tax	(510)	(374)
Actuarial (loss) on pension scheme	(178)	-
	(688)	(374)
Balance sheet		
Fixed assets	18,755	19,190
Current assets	3,594	3,476
	22,349	22,666
Less: Restricted funding from SportScotland	(4,366)	(4,506)
Share of gross assets	17,983	18,160
Less: Creditors - amounts due with one year	(1,112)	(722)
Share of net assets	16,871	17,438

The movement in the share of net assets from the prior year reflects the University's share of the loss for the year.

16. Stock

	Consolidated	University	Consolidated	University
	2020	2020	2019	2019
	£000	£000	£000	£000
Stock of finished goods	252	252	233	233

17. Trade and other receivables

Trade debtors	9,594	7,180	7,714	5,714
Prepayments and accrued income	11,963	11,963	11,942	11,942
Amounts due from subsidiary companies	-	-	-	31
	21,557	19,143	19,656	17,687

Financial instruments included within trade and other receivables are carried at amortised cost.

18. Investments

Term deposits	55,000	55,000	5,000	5,000
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The increase is due to the reclassification of deposits from non-current investments as these near maturity.

19. Creditors: amounts falling due within one year

Loans and leases	967	967	1,377	1,377
Research grants received on account	19,752	19,752	18,910	18,910
Other grants received on account	12,038	12,038	12,941	12,941
Trade creditors	3,122	3,122	5,154	5,154
Social security and other taxation payable	3,493	3,493	4,199	4,199
Accruals and deferred income	24,320	24,282	21,248	21,224
	63,692	63,654	63,829	63,805

Financial instruments included within creditors are carried at amortised cost.

20. Creditors: amounts falling due after more than a year

	Consolidated 2020 £000	University 2020 £000	Consolidated 2019 £000	University 2019 £000
Loans	103,643	103,643	100,000	100,000
Finance lease obligations	24,270	24,270	24,218	24,218
Deferred income	93,577	93,577	94,648	94,648
	221,490	221,490	218,866	218,866

a. Loans are repayable:

Less than one year	286	286	-	-
Between one and two years	10,286	10,286	-	-
Between two and five years	858	858	10,000	10,000
In five years or more	92,499	92,499	90,000	90,000
	103,929	103,929	100,000	100,000

b. Finance lease net obligations committed:

Less than one year	681	681	1,377	1,377
Between one and two years	757	757	1,385	1,385
Between two and five years	2,640	2,640	4,302	4,302
In five years or more	20,873	20,873	18,531	18,531
	24,951	24,951	25,595	25,595

c. Deferred income

Less than one year	4,065	4,065	4,028	4,028
Between one and two years	3,705	3,705	3,507	3,507
Between two and five years	7,660	7,660	8,126	8,126
In five years or more	82,212	82,212	83,015	83,015
	97,642	97,642	98,676	98,676

Deferred income relates to capital grants received from government bodies.

Loans included above have the following terms:

	Amount £000	Term Year	Rate %
Bank Loan – Tranche 1	4,600	2031	5.415
Bank Loan – Tranche 2	15,000	2036	3.000
Bank Loan – Tranche 3	10,000	2036	3.072
Bank Loan – Tranche 4	10,400	2036	3.195
Private Placement – Tranche 1	20,000	2044	3.050
Private Placement – Tranche 2	20,000	2049	3.130
Private Placement – Tranche 3	20,000	2054	3.190
SFC Financial Transactions	3,929	2034	0.250

In May 2019, the University raised £60m of borrowing through a private placement, the funds are in three tranches of £20m repayable in 25, 30 and 35 years. The bank loans are repayable in four equal instalments of £10m in 2021, 2026, 2031 and 2036 respectively. In April 2020, the University received £4m of funding via the Scottish Funding Council's Financial Transactions programme.

Leases

In December 2012 the University entered into a 25 year finance leasing arrangement with Prudential Ltd in respect of the New Carnegie Court Halls of Residence, £24.5m is payable under this agreement which expires in 2037. During financial year 2018/19 the University entered into a leasing agreement for IT equipment for £0.6m which expires in 2023.

21. Provisions for liabilities

a. Pension provisions	USS Deficit Obligations £000	Defined Benefit Obligations £000	Enhanced Pensions £000	Total Pension Provisions £000
Consolidated and University				
At 1 August 2019	69,401	22,075	3,200	94,676
Charged to staff costs	-	4,378	-	4,378
Movements in year	-	-	(40)	(40)
Interest payable	1,124	508	-	1,632
Employer contributions paid	(1,477)	(3,990)	-	(5,467)
Administrative expenses	-	330	-	330
Changes in expected contributions	(28,559)	-	-	(28,559)
Actuarial loss	-	14,992	-	14,992
At 31 July 2020	40,489	38,293	3,160	81,942

Further information regarding the USS pension scheme and defined benefit obligation schemes is available in note 28.

b. Other provisions	International Campus £000	Student Accommodation £000	Other £000	Total £000
Consolidated and University				
At 1 August 2019	950	823	339	2,112
Charged in year	-	-	-	-
Utilised in year	-	-	-	-
Released in year	(950)	(639)	-	(1,589)
At 31 July 2020	-	184	339	523

The University reached agreement with its South Korean partners regarding the closure of the campus in South Korea and repaid £1.0m of pre-establishment costs in October 2019.

During financial year 2019/20 the University utilised £0.6m of the Student Accommodation provision with the remaining provision relating to contracts ending in September 2020.

Other than disclosed above, provisions are expected to be used or reversed within one year.

22. Endowment reserves

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Restricted Expendable £000	2020 Total £000	2019 Total £000
Balance at 1 August 2019					
Capital	17,527	28,017	224	45,768	44,195
Accumulated income	-	6,141	46	6,187	5,493
	17,527	34,158	270	51,955	49,688
New endowments					
	-	79	-	79	377
Investment income					
	417	785	7	1,209	1,496
Expenditure					
	(417)	(612)	(65)	(1,094)	(946)
Net expenditure					
	-	173	(58)	115	550
(Decrease)/increase in market value of investments					
	(70)	(139)	-	(209)	1,340
At 31 July 2020	17,457	34,271	212	51,940	51,955
Represented by:					
Capital	17,457	27,811	212	45,480	45,768
Accumulated income	-	6,460	-	6,460	6,187
	17,457	34,271	212	51,940	51,955
Analysis by purpose					
Bursaries				2,609	2,450
Prizes				2,099	2,019
Scholarships				6,176	6,001
Teaching foundations				4,933	4,717
Other restricted purposes				15,865	15,642
Unrestricted				17,457	17,527
Unallocated unrealised gains				2,801	3,599
				51,940	51,955

23. Cash and cash equivalents

	Consolidated £000	University £000
At 1 August 2019	35,704	34,184
Cash flows	12,120	12,739
At 31 July 2020	47,824	46,923

24. Reconciliation of net debt

Analysis of net debt	Consolidated	University	Consolidated	University
	2020	2020	2019	2019
	£000	£000	£000	£000
Cash and cash equivalents	47,824	46,923	35,704	34,184
Investments	55,000	55,000	60,000	60,000
	102,824	101,923	95,704	94,184
Borrowings: amounts falling due within one year				
Unsecured loans	286	286	-	-
Obligations under finance leases	681	681	1,377	1,377
	967	967	1,377	1,377
Borrowings: amounts falling due after more than one year				
Unsecured loans	103,643	103,643	100,000	100,000
Obligations under finance leases	24,270	24,270	24,218	24,218
	127,913	127,913	124,218	124,218
Net debt	26,056	26,957	29,891	31,411
	Consolidated	University	Consolidated	University
	2020	2020	2019	2019
	£000	£000	£000	£000
Net debt at 1 August 2019	29,891	31,411	36,973	37,412
Movement in cash, cash equivalents and investments	(7,120)	(7,739)	(64,354)	(63,273)
Capital repayment of finance leases	(644)	(644)	(3,341)	(3,341)
Repayment of unsecured loans	(71)	(71)	-	-
New finance leases	-	-	613	613
New unsecured loans	4,000	4,000	60,000	60,000
Net debt at 31 July 2020	26,056	26,957	29,891	31,411
Change in net debt	(3,835)	(4,454)	(7,082)	(6,001)

25. Capital commitments

	2020	2019
	£000	£000
Consolidated and University		
Commitments contracted for	20,256	30,537
Authorised but not contracted for	11,850	7,407
	32,106	37,944

The authorised but not contracted for figure includes an assessment of the additional costs of construction for the Science Teaching Hub due to the Covid-19 pandemic.

26. Amounts disbursed as agent

	Childcare Funds £000	Undergraduate Funds £000	Postgraduate Funds £000	Covid-19 Funds £000	2020 Total £000	2019 Total £000
Consolidated and University						
At 1 August 2019	13	56	21	-	90	-
Allocation received in year	147	394	79	74	694	603
Repaid as claw back	(13)	(56)	(21)	-	(90)	-
Interest earned	-	1	-	-	1	1
Expenditure	(103)	(240)	(43)	(48)	(434)	(514)
At 31 July 2020	44	155	36	26	261	90

27. Disclosure of related party transactions

Due to the nature of the Group and University's operations and the composition of the University Court being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of University Court may have an interest. Court members are required to maintain a register of interests and all transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The following transactions were identified for the disclosure:

Organisation	Relationship	Nature of Transaction	Receipts £000	Payments £000
Aberdeen Sports Village Limited	Joint venture	Operations/Grants	117	1,320
Aberdeen University Students Association	Charity	Operations/Grants	-	887
British Heart Foundation	Charity	Operations/Grants	621	-
British Universities International Liaison Association	Supplier	Operations	-	1
Carnegie Trust	Charity	Operations/Grants	66	-
Chamber of Commerce	Supplier	Operations	-	42
Cruikshank Botanical Gardens Trust	Charity	Operations/Grants	-	6
GlaxoSmithKline plc	Customer	Operations/Grants	48	-
Hampshire Hospitals NHS Trust	Supplier	Operations	-	2
Institute of Chartered Accountants of Scotland	Supplier	Operation	-	24
Law Society of Scotland	Supplier	Operation	-	5
Tate and Lyle plc	Customer	Operations/Grants	81	-
Rocking Horse Nursery	Customer/Supplier	Operations/Grants	94	423
University of Aberdeen Development Trust	Charity	Operations/Grants	4,641	1,055

The University of Aberdeen Life Assurance and Superannuation Scheme is also regarded as a related party. Details of transactions are included with Note 28.

Outstanding balances owed from/(to) the above related parties at 31 July 2020 were as follows:

	2020 £000	2019 £000
Aberdeen Sports Village Limited	(51)	(62)
British Heart Foundation	185	40
Carnegie Trust	-	5
Diabetes UK	-	40
Rocking Horse Nursery	6	7
University of Aberdeen Development Trust	141	141

28. Pension schemes

The principal schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). The UASLAS and SPF schemes are defined benefit schemes, whilst the USS scheme has a combination of defined benefit and defined contribution elements. All three schemes are externally funded. Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

Scheme participation and annual pension contribution costs

Pension Scheme	Employer	Employee	Active	2020	2019
	Contribution Rate	Contribution Rate	Members	£000	£000
	As at 31 July 2020				
UASLAS	18.4% ¹	8.0%	678	2,378	2,543
SPF	35.1%	Variable	27	239	245
USS	21.1% ²	9.6%	1,958	18,133	15,526
STSS	23.0%	Variable	4	44	43
NHSS	20.9%	Variable	24	240	133
				21,034	18,490

¹The UASLAS employer contribution rate included a £725,000 contribution towards the elimination of the deficit until July 2020. The Scheme Trustees agreed that, due to the Covid-19 pandemic, payments could be deferred, with a reduction to £362,500 for financial years 2021 and 2022 before increasing to approximately £1.0m p.a. from August 2022 to July 2025. From August 2025, deficit recovery contributions will revert to £725,000.

The July 2019 valuation exercise has recently been completed and has resulted in an increase to the future service accrual of 0.9% to 13.4%. This movement along with the deficit recovery contribution, increased the employer contribution rate from to 18.4% to 18.9% from 1 November 2020. Employee contributions remain at 8.0%.

² Following completion of the 2018 valuation exercise, employer and employee contributions increased from 1 October 2019, with a further increase planned from 1 October 2021 (employer 23.7%, employee 11.0%). From 1 April 2020 deficit contributions of 2.0% have been included within the employer contribution. A valuation exercise as at 31 March 2020 is underway which is likely to alter the planned contribution increase from October 2021.

Key actuarial assumptions, if appropriate

Pension Scheme	Discount Rate	Salary Increase Rate	Pension Increase Rate	Mortality Rate Current pensioners male	Mortality Rate Current pensioners female	Mortality Rate Future pensioners male	Mortality Rate Future pensioners female
SPF	1.3%	3.3%	2.5%	20.7	22.9	22.2	24.6
UASLAS	1.4%	3.0%	CARE 2.0% Final Salary 2.9%	20.8	23.8	22.1	25.2

In calculating USS pension provision at 31 July 2020, the University used the discount rate (0.74%) provided by the British Universities Finance Directors Group (BUFDG) and a future salaries increase rate of 3% from 2021 onwards.

As at 31 July 2020, the methodology for calculating the UASLAS discount rate was updated. Previously the rate was based on the XPS A_AA_AAA bond yield curve and is now based on a single agency AA yield curve to move into line with our auditor's central assumption. The change has resulted in a discount rate of 1.4% compared with 1.7% had the previous methodology remained in place as at 31 July 2020. A 0.1% movement in discount rates results in an approximately £3.7m movement on the deficit, as a result the deficit is approximately £11.1m higher than would have been reported under the previous methodology. In addition, changes to the derivation of the CPI assumptions for both the UASLAS and SPF schemes have been undertaken compared with previous years, the changes to the CPI figures do not have a material effect on the reported results for either scheme.

Guaranteed Minimum Pension

On 26 October 2018, the High Court in England handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded such schemes should be amended to equalise differences in pension benefits for men and women arising from amounts accrued under the Guaranteed Minimum Pension between 1990 and 1997. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. During the year, the University has worked with the trustees of the UASLAS and SPF schemes to understand and evaluate the additional defined benefit pension obligation arising from the judgment for each scheme. An additional liability of £0.8m was recognised at 31 July 2019 in respect of Guaranteed Minimum Pension. For the University's other defined benefit schemes, principally the USS, the provision included within the financial statements in note 21 may also be impacted in the future, to the extent changes in benefits due to the judgment increase the future level of employer deficit contributions. It is not possible currently to estimate this potential change at 31 July 2020.

28. Pension schemes - continued

The Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Statement of Comprehensive Income.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the surplus or deficit in accordance with section 28 of FRS 102. Court is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the University cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 Valuation
	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post retirement: 97.6% of SAPS SINMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2020	2019
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.9	27.9

28. Pension schemes - continued

The Universities Superannuation Scheme (USS)

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). Details of this provision are included in note 21a to the financial statements.

The USS is a multi-employer scheme in which the University is a participating employer. The 2018 actuarial valuation of USS was formally completed, and the total multi-employer pension liability was calculated at £3.6bn. As disclosed in our 2018/19 annual report, due to this lower liability our USS deficit was predicted to reduce significantly in the year to 31 July 2020. The provision has reduced by £28.9m to £40.5m which is in line with our expectations.

USS are expected to provide details of the 2020 valuation exercise in the first quarter of 2021 and whilst it is too early to determine the likely deficit for the scheme, this is likely to be significantly higher than the £3.6bn resulting from the 2018 valuation exercise. USS as part of their consultation indicated that, dependant on the assumptions adopted after the consultation and covenant work is completed, the deficit may range from £9.8bn to £17.9bn. This expected increase means that higher contribution levels for both employers and employees are inevitable and will lead to additional financial pressure within the sector. For indicative purposes, a 1% increase to employer contributions results in additional cost to the University of approximately £0.8m.

University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

The University of Aberdeen Superannuation and Life Assurance Scheme is a funded defined benefit pension scheme in the UK. The Scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by Trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that Scheme assets are appropriately invested.

Active members of the Scheme pay contributions at the rate of 8.0% of pensionable salary and the University pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme for funding purposes whereas the accounting assumptions must be best estimates. The University contributes £725,000 per annum towards elimination of the funding shortfall. This is in addition to contributions paid in respect of future service benefits and administration expenses.

A formal actuarial valuation as at 31 July 2019 was completed during the year and reported a deficit of £9.6m. As a result of the 2019 valuation exercise and a temporary adjustment to the deficit recovery contribution, employer contributions, including the deficit recovery contribution have reduced from 18.4% to 16.1%, employee contributions remain unchanged at 8%.

The power to appoint Trustees is vested in the University Court. Court appoints four Trustees including an independent chairman and three University employees. A further two Trustees, who represent members, are elected by the active and pensioner members of the scheme. The arrangements for appointing membership representatives comply with the Membership Nominated Trustee requirements of the Pensions Act 2004.

Trustees are invited to attend Trustee meetings at which a minimum of two must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present. Trustee meetings are normally held every three months but can be called more frequently where necessary. During 2019/20 the Trustees met five times.

28. Pension schemes - continued

University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

Scheme Assets	2020	2019
	Fund Value	Fund Value
	£000	£000
Equities	52,783	63,755
Property	21,832	21,307
Government bonds	16,457	11,149
Corporate bonds	15,098	19,868
Index linked bonds	45,439	44,257
Secure pensions	934	991
Cash	17,572	3,700
	170,115	165,027

At 31 July 2020, the defined benefit deficit of the scheme was £36.6m (2019: £22.1m).

Following the 31 July 2016 triennial valuation, the University agreed to make annual deficit contributions of £725,000 over a 10 year period commencing 1 August 2017. The University entered into an arrangement with a third party bank to provide a bank guarantee to the pension scheme in respect of the £9m deficit and is currently working with the provider to increase this to £9.6m to reflect the revised 2019 valuation exercise deficit.

The Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund (SPF) provides benefits based on a final pensionable salary for employees of local government and some other institutions. It is possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if they were a defined benefit scheme.

The last triennial valuation undertaken was at 31 March 2017. The employer's contribution rate payable on members' pensionable salaries is 35.1%. The accounting standard FRS102 is designed to produce a net pension asset or liability calculated according to a prescribed method of valuation. In particular, the discount rate applied to pension scheme liabilities differs from that used in normal actuarial valuations to determine, inter alia, the scheme's required funding rate, and generally produce a higher value for scheme liabilities. The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuation using the projected unit method.

Scheme Assets	2020	2019
	Fund Value	Fund Value
	£000	£000
Equities	12,205	12,938
Bonds	4,843	4,777
Property	2,131	1,990
Cash	194	199
	19,373	19,904

At 31 July 2020, the defined benefit deficit for the scheme was £1.7m (2019: surplus of £0.4m). The University did not recognise the surplus in its balance sheet as at 31 July 2019.

The Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional assets value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out in FRS102, the STSS is a multi-employer pension scheme. The University of Aberdeen is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS102 and has accounted for its contribution as if it were a defined contribution scheme. The scheme is subject to a report by the Government Actuary every five years.

The National Health Service Superannuation Scheme (NHSSS)

NHSSS is a multi-employer defined benefit pension scheme. Historically the scheme has operated on the basis that it is responsible only for the cost of the basic benefits payable to members and their dependents, with the cost of pension increases being met by the Exchequer. However, from 1 April 2004, the cost of pension increases has been met by an increase in the employers' contribution rate. This scheme is also accounted for as if it were a defined contribution scheme.

28. Pension schemes - continued

Additional Pension Payments

Following the merger with Northern College in 2001 the University is responsible for the payment of enhanced pensions to a number of former employees of the College, most of whom have been granted early retirement. An actuarial valuation of the liability was carried out as at 1 December 2001, the date of the merger between the University and Northern College. This valuation revealed a liability of £4,596,000, which was incorporated into the accounts of the University at merger.

An actuarial valuation has been undertaken at 31 July 2020 as follows:

	2020	2019
Discount Rate	1.4%	2.3%
Pension Increases	2.0%	2.5%

In order to maintain consistency with the approach adopted for previous years, all other assumptions, including demographic assumptions adopted are those used for the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS).

Membership statistics for former employees of the Northern College of education in receipt of a pension on 31 July are as follows:

		2020	2019
		£000	£000
Old Scheme	Academic staff	132	132
	Support staff	8	8
New Scheme	Academic staff	107	105
	Support staff	38	36
Total		285	281

Benefits to be valued

The pensions are paid to former employees of the Northern College of Education subject to the following terms:

- Pension increases are in line with statutory increases (currently CPI inflation);
- Spouses' pensions are 50% of members' pensions at date of death;
- Widowers' pensions are payable in respect of females whose pensions commenced after 5 April 1988

	2020	2019
Results	£000	£000
Liability on this basis at 31 July	3,160	3,200

28. Pension schemes - continued

Combined disclosures – Defined Benefit Schemes

The following amounts were measured in respect of UASLAS and SPF and have been recognised in the financial statements

	2020	2019
	£000	£000
Analysis of amounts recognised in surplus/(deficit) for the year		
Employer service cost	4,378	5,440
Administrative costs	330	330
Net interest cost	508	315
	5,216	6,085
Analysis of other comprehensive income		
Actuarial (losses)	(19,167)	(18,408)
Return on assets excluding amounts in net interest	4,175	9,001
	(14,992)	(9,407)
Analysis of amount shown in the balance sheet:		
Actuarial value of scheme liabilities	(227,787)	(207,009)
Fair value of assets	189,494	184,934
Defined benefit liability at end of year	(38,293)	(22,075)
Reconciliation to the balance sheet:		
Defined benefit liability at end of previous year	(22,075)	(10,750)
Current service cost	(4,182)	(3,578)
Past service cost	-	(145)
Net interest charge	(508)	(315)
Administrative costs	(330)	(330)
Employer contributions	3,990	4,168
Planned changes to schemes	(196)	(1,718)
Actuarial (loss)	(14,992)	(9,407)
Defined benefit liability at end of year	(38,293)	(22,075)
Change in scheme assets:		
Fair value of assets at prior year end	184,931	174,696
Administrative expenses	(330)	(330)
Interest income	4,170	4,975
Actuarial gain on assets	4,175	9,001
Employer contributions	3,990	4,168
Scheme participants contributions	124	102
Assets distributed on settlements	-	(339)
Benefits paid from scheme assets	(7,566)	(7,342)
Fair value on assets at current year end	189,494	184,931

28. Pension schemes - continued

	2020	2019
	£000	£000
Change in actuarial value of scheme liabilities:		
Scheme liabilities at prior year end	207,006	185,446
Employer service cost	4,182	3,723
Interest cost	4,678	5,290
Scheme participants contributions	124	102
Loss on planned changes	196	1,718
Liabilities extinguished on settlement	-	(339)
Actuarial loss	19,167	18,408
Benefits paid from scheme assets	(7,566)	(7,342)
Scheme liabilities at current year end	227,787	207,006

Five-year history of assets and liabilities:	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
Deficit in the schemes:					
Actuarial value of scheme liabilities	(227,787)	(207,009)	(185,449)	(189,455)	(189,867)
Fair value of assets	189,494	184,934	174,699	166,768	150,748
Deficit in the scheme	(38,293)	(22,075)	(10,750)	(22,687)	(39,119)

29. Lease obligations

Total rentals payable under operating leases:	2020	2019
	£000	£000
Payable during the year	424	484
Future minimum lease payments due:		
Not later than one year	380	412
Later than one year and not later than five years	354	756
	734	1,168

30. Subsidiary undertakings

The subsidiary companies, all of which are registered in Scotland, and are wholly owned by the University are as follows;

Company	Principal Activity
Rowett Research Institute Limited	Charitable research company
Aberdeen University Research & Innovation Services Limited	Dormant
King's College Centre Limited	Dormant
Aberdeen University Press Limited	Dormant

31. Financial instruments

Risk management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the approved treasury management policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments, loans and finance leases. The core objective of these financial instruments is to meet the financing needs of the University's operations and capital investment. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

	Consolidated	University
	2020	2020
	£000	£000
Assets measured at fair value through income or expenditure		
- Amounts included in non-current assets (note 14)	54,063	70,993
- Current asset investments (note 18)	55,000	55,000
Assets measured at cost less impairment (note 17)	21,557	19,143
Liabilities (excluding loans) measured at amortised cost (note 19)	62,725	62,697
Loan commitments measured at amortised cost (note 20)		
- Loans	103,929	103,929
- Finance lease obligations	24,951	24,951

The fair value of financial assets at fair value through income or expenditure, is determined by reference to their quoted bid price at the balance sheet date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University. The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2020, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counter party limits and minimum counter party credit ratings set within the Treasury Management Policy.

Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both student and commercial customer populations. The University recognises that the risk of non-payment is heightened due to the Covid-19 pandemic and increased the bad debt provision by £0.4m during the year.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Cash flow forecasts form part of the University planning process and are revised during the financial year with re-forecasts made as required. The University policy is to maintain an average cash balance equivalent to one month's core payroll and operating costs. Whilst the policy remains unchanged we recognise that these balance may not be achievable in the short term due to the Covid-19 outbreak. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

The long-term financing of the University has been secured by the private placement, the bank loan facility and finance lease in respect of student accommodation as detailed in note 20.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro. The operating level of euros holding is reviewed on a monthly basis and after accounting for any forecast liabilities any surplus euros above this level are converted into sterling at spot rates.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk). The interest rates attached to both the loan facility and private placement are fixed over the term. Due to the low interest rate environment most of the University cash deposits at the 31st July 2020 are on-call as these offer a competitive rate of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

PRINCIPAL ADVISORS

Auditor – External	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Auditor – Internal	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
Bankers	Bank of Scotland 39 Albyn Place Aberdeen AB10 1YN
Legal Advisors	Shepherd and Wedderburn LLP Commercial House 2 Rubislaw Terrace Aberdeen AB10 1XE
Taxation Advisors	Domestic Taxation KPMG LLP 1 Marischal Square Broad Street Aberdeen AB10 1DD
	International Taxation PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
Investment Advisors	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU

GLOSSARY

Athena SWAN	Charter to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine (STEMM) employment in higher education and research
Audit & Risk Committee	A committee of Court that provides advice on the effectiveness of the University's procedures for audit, financial control, governance and risk management, and provides assurances in these key areas through its annual report to the Scottish Funding Council, which is approved by Court.
CMI Pension Mortality projections	Continuous Mortality Investigation – The CMI provides authoritative and independent mortality and sickness rate tables for UK life insurers and pension funds.
The Complete University Guide	The Complete University Guide is a UK-based ranking that assesses UK universities across a broad range of teaching and research indicators.
Covid-19	A new illness that can affect your lungs and airways. It is caused by a virus called coronavirus.
DLHE Survey	The Destinations of Leavers from Higher Education (DLHE) is an annual survey of recent graduates aimed at discovering what they have gone on to do approximately six months after graduating.
FRS102	Financial Reporting Standard – single set of accounting standards developed by the Financial Reporting Council (FRC) that has replaced UK GAAP.
FTE	Full time equivalent - the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees.
General Council	Established by the Universities (Scotland) Act 1858 and consists of graduates and certain academic staff.
Governance and Nominations Committee	A committee of Court to advise on matters of governance and conduct reviews of the University's governance on its behalf.
Graduate Outcomes Survey	Graduate Outcomes is the biggest UK annual social survey and captures the perspectives and current status of recent graduates. All graduates who completed a course will be asked to take part in the survey 15 months after they finish their studies. The survey aims to help current and future students gain an insight into career destinations and development.

HERU	Health Economics Research Unit – a health economics research centre that delivers applied and methodological work to inform public health policy.
HSRU	Health Sciences Research Unit – with a national remit to research the best ways to provide health care and to build capacity in health services research within Scotland.
KPIs	Key Performance Indicators – a measurable value that demonstrates how effectively an organisation is achieving key objectives.
National Student Survey (NSS)	The National Student Survey (NSS) gathers opinions, from mainly final-year undergraduates, about their time in higher education. It is an influential source of public information about higher education and gives students a powerful collective voice to help shape the future of their course and their institution for current and prospective students.
NHSSS	National Health Service Superannuation Scheme (UK)
OSCR	Office of the Scottish Charity Regulator – independent regulator and registrar of Scottish charities.
Pension Mortality Tables - SINA [“light”] YoB	Standard Year of Birth mortality tables used for USS pension scheme. Tables are based on Normal Health pensioners.
Policy and Resources Committee	A committee of Court to integrate academic, financial, estate and human resources planning and policy making, advising Court and Senate on long-term strategic objectives; and to oversee the operational performance of the University.
Planetary Science Group	The Planetary Science Group is focused on the study of Earth and planetary atmospheres and the development of instruments for Earth and planetary exploration.
QS World University Rankings	The QS World University Rankings is an annual publication of university rankings which comprises the global overall and subject rankings (which name the world’s top universities for the study of 48 different subjects and five composite faculty areas), alongside our independent regional tables (such as Asia, Latin America, Emerging Europe and Central Asia and the Arab Region). The QS World University Rankings is the most-widely read university rankings in the world.
Remuneration Committee	A committee of Court to advise on matters relating to the pay and conditions of senior staff.
Research Excellence Framework (REF)	System for assessing the quality of research in UK higher education institutions.
RESAS	Scottish Government’s Rural and Environmental Sciences and Analytical Services Division
Risk Management Framework	Conforms to globally recognised standards in risk management and widely accepted best practice.

Scottish Funding Council (SFC)'s Financial Memorandum	Sets out the formal accountability relationship between the SFC and institutions, and the requirements with which institutions are expected to comply in return of payment of grant by SFC.
Statement of Intent on Diversity	Adopted by Court within its membership, which includes a goal of achieving and maintaining female representation of a minimum of 25%, with aspirations to achieve 50% over the longer term.
Senate	Responsible for the regulation and superintendence of teaching and for the promotion of research.
SPF	Strathclyde Pension Fund
Strategic Plan 2015-20	Outlines the University's priorities for the five year period.
STSS	Scottish Teachers' Superannuation Scheme
Sunday Times Good University Guide 2019	The Times and The Sunday Times Good University Guide 2019 provides students and their parents with an invaluable first reference point on the path to finding a university place. It contains full profiles of all universities
THE World Rankings	An annual publication of university rankings by Times Higher Education (THE) magazine.
Times Higher Education University Impact Rankings	The Times Higher Education University Impact Rankings are global performance tables that assess universities against the United Nations' Sustainable Development Goals.
UASLAS	University of Aberdeen Superannuation & Life Assurance Scheme
UCEA	The University Council for Educational Administration (UCEA) is a consortium of higher education institutions committed to advancing the preparation and practice of educational leaders for the benefit of schools and children.
UK GAAP	UK Generally Accepted Accounting Principles
University Court	The executive governing body of the University that is charged with the administration and management of the revenue and property of the University.
USS	Universities' Superannuation Scheme

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